EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

No.30,833 — Wednesday May 3 1989 — D 8523A

INDIA
Gandhi learns how to play politics
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World News

Arafat says anti-Israel charter is null and void

Palestinian leader Yassir Arafat said the 1964 Charter of the Palestine Liberation Organisation (PLO), which challenges Israel's right to exist, was null and void.

Arafat made the statement after talks with President François Mitterrand, who pressed him to clear up contradictions between the Charter and the PLO's decision six months ago to recognise Israel's right to exist. Earlier story, Page 4

Threat to coalition
The Dutch Government was on the edge of collapse last night as the junior coalition partner demanded a decisive vote on one element of a sweeping national plan for the environment. Page 2

Beirut talks due
Arab League representatives are due to arrive in Beirut to make arrangements with the rival Lebanese Prime Ministers for the arrival of a 312 member Arab observer force. Page 4

Sudan peace hopes
The surprise announcement of a unilateral one-month cease fire by rebels in Sudan raised hopes for a negotiated peace in the civil war. Page 4

US bank challenge
Sir Leon Brittan, European Commissioner for financial services, has challenged the US to follow the EC's example and open up its banking market. Page 20

Shanghai protest
Student protesters marched through China's largest city, Shanghai, while Peking students threatened mass demonstrations to force talks on democratic reforms. Page 4

Cambodian talks
Hun Sen, Prime Minister of the Vietnamese-installed government of Cambodia, presented a new peace initiative to Prince Norodom Sihanouk, the resistance leader, during talks in Jakarta. Page 4

Rodriguez wins vote
General Andrés Rodríguez, Paraguay's new president, and his party were celebrating a crushing victory in the presidential and congressional elections. Page 6

Budapest reshuffle
Hungary's new Foreign Minister, Mr Gyula Horn, is the most prominent of six new ministers in a reshuffled Government to be approved by Parliament. Page 2

Water law altered
The UK Government is expected to table an amendment to its water privatisation legislation which will end a disagreement with the European Commission. Page 11

Tamils escape
Forty Tamil guerrillas killed two of their guards at a prison camp in northern Sri Lanka and escaped into the jungle.

Troops fire tear gas
Troops fired tear gas to disperse crowds of Mauritanians trying to learn the fate of their countrymen fleeing ethnic riots in neighbouring Senegal. Page 4

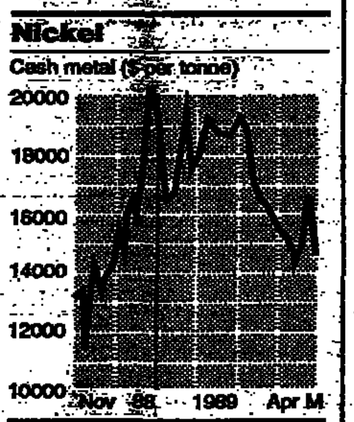
$3m ransom paid
Silvana Dell'Orto, kidnapped six months ago from Reggio, southern Italy, was released unharmed after her husband paid a $3m ransom.

Business Summary

Thomson in $810m deal to buy US publisher

INTERNATIONAL Thomson Organisation (ITO), fast-growing publishing and leisure travel group which is set shortly to merge with Thomson Newspapers to form a $5bn (£3bn) corporation, is to buy The Lawyers Co-operative Publishing company, a US specialist publisher, for $810m in cash. Page 21

NICKEL: Extreme volatility in the market returned after the LME reported an unexpected doubling of its warehouse stocks and by the close the price for immediate delivery was down by $625 to $14,525 a tonne. Commodities, Page 36



VALEO, leading French car components group, acquired Delanair, main manufacturer of car air conditioning and heating systems in the UK, for undisclosed amount from Lindustries, part of the UK Hanson group. Page 21

DAIMLER-BENZ, giant West German motor conglomerate, lodged a formal bid to overturn the Federal Cartel Office's rejection of its takeover of Messerschmitt-Bölkow-Blohm (MBB), the country's largest aerospace group. Page 2

BOND CORPORATION, Australian brewing, media and property conglomerate, reacted sharply to the further downgrading of its credit rating. Page 21

VOLVO, leading Swedish motor manufacturer, is to increase its stake in Hertz, world's biggest car rental company, from 20 to 26 per cent. Page 22

BCE Development (BCED), North American property group controlled by Montreal-based BCE, is to sell its US real estate assets. Page 23

IFOX, Irish Futures and Options Exchange, set May 29 to begin live trading on its electronic futures system: later than planned due to technical difficulties. Page 26

BRITISH-based investment group, African Permanent Investment Corporation Holdings (APIC), plans to provide up to $10m venture capital for new businesses in Zimbabwe. Page 8

CANADIAN government abandoned plans to impose a tax on the profit margins of financial institutions, which would have cost the country's banks, trusts and insurance companies an estimated C$1.4bn ($1.18bn) a year. Page 6

HEWLETT-Packard, US computer and electronics manufacturer, plans to combine its Brazilian computer operations with those of Companhia Iochpe de Participacoes, Brazilian conglomerate. Page 6

TAIWAN Finance Ministry approved the Taipei-based Overseas Chinese Commercial Banking Corp's plan to acquire Heng Lung Bank of Hong Kong. Page 24

TEXAS Instruments, US semiconductor manufacturer, reached an out-of-court settlement of its memory chip patent infringement suit filed against Micron Technology, US chip maker. Page 23

Eighty nations agree CFC ban and Third World aid

By **John Hunt**, Environment Correspondent, in Helsinki

A DECLARATION agreeing to end, by the year 2000, all production and consumption of the chlorofluorocarbons (CFCs) which damage the ozone layer was supported yesterday by 80 countries at a United Nations Environment Programme (Unep) meeting in Helsinki.

The countries also agreed to establish a global fund to help Third World nations develop the technology necessary to produce alternatives to CFCs.

These substances – used in some aerosols, as well as in refrigerators and in the manufacture of plastic foam – are the main contributor to the thinning of the earth's ozone layer which could lead to a dangerous increase in ultraviolet radiation.

Dr Mostafa Tolba, executive director of the UN Environment Programme, said the planned multi-million dollar international fund would also be extended to cover research and aid to Third World countries to deal with the problem of climatic change and global warming – the "Greenhouse Effect" largely caused by gases, released into the atmosphere by the burning of fossil fuels, which hold in the sun's heat.

The British delegation to yesterday's Unep meeting, which was led by Mr Nicholas Ridley, Environment Secretary, had strong reservations about a global fund and would have preferred to deal with the matter through bilateral aid to Third World countries. But Britain was swept along by the overwhelming tide of opinion at the meeting in favour of the declaration.

Significantly, signatories of the undertaking to phase out CFCs by the end of the century included, along with the US, Britain and West Germany, representatives from China and India.

The West has been worried that any development of CFCs by these two large countries as their industry expands could render useless the efforts of the industrialised countries to phase out these substances.

The motion which led to yesterday's dramatic plans for dealing with threats to the environment came from Mr Kaj Bärlund, Finnish Environment Minister, who said that the proposals represented "a big leap forward in the world towards saving the ozone layer."

However, the declaration is seen as representing only a broad political commitment on the part of the delegates present – who came from a cross-section of countries from the industrialised and the Third World. It leaves many practical difficulties yet to be worked out.

Similarly, the agreement on the abolition of CFCs is contingent on the establishment of a fund to assist the transfer of technology to the Third World countries.

There could also be difficulties over the desire of developing countries to have at least some CFC capacity as their industry is developed.

At their insistence a clause was included to take "due account of the special situation of developing countries" in phasing out CFC use.

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Kohl hints at compromise in Nato short-range arms row

By **John Wyles** in Rome and **David White** in London

CHANCELLOR Helmut Kohl of West Germany yesterday opened the door towards a compromise in Nato's row over short-range nuclear weapons. He accepted that negotiations with the Soviet Union on nuclear arms reduction could wait until there was progress in conventional disarmament talks.

The UK, however, stuck firm to its hard line in opposing negotiations, calling instead for unilateral cuts by Moscow.

Mr George Younger, the British Defence Secretary, refused to commit himself to negotiations on short-range weapons even if parity in conventional armaments were achieved between the Warsaw Pact and Nato. "It is a very, very long way away," he said.

Mr Kohl said after informal talks in Rome with Mr Ciriaco De Mita, the Italian Prime Minister, that he did not see why the short-range missiles could not be included in the disarmament process if there was progress in the conventional weapons negotiations under way in Geneva.

It was the first time he had publicly accepted that the timing of any negotiations on short-range weapons could be linked to progress in other East-West negotiations. Until now Bonn has appeared to resist any such link, which was the basis of the Italian position on the issue as spelled out by Mr De Mita during yesterday's three-and-a-half hour meeting.

In a press conference, Mr Kohl avoided reaffirming his previous insistence that the nuclear negotiations must be "early." Senior Italian officials said the Chancellor agreed during the meeting that "solid and substantive" progress on conventional weapons would be a necessary preliminary to short-range nuclear talks.

The British Government set out in uncompromising terms its case for Nato maintaining land-based nuclear systems in Europe "for the foreseeable future." Its annual Defence White Paper (policy document), published yesterday, argued that deterrence required a wide range of nuclear options and that Nato could not rely just on strategic weapons.

Mr Younger told a press conference that Nato must not let its attention be drawn from arms control in conventional forces and chemical weapons. Negotiations on short-range systems would "remove a very strong spur to the Soviet Union to make reductions in conventional weapons," he argued. Once talks started it would be "extremely hard" to stop a slide towards total abolition of such systems in Europe.

Nato should not allow itself to be "diverted into something which would be very dangerous for us if we were pushed into it now," he said, adding: "I think we would be very wise not to get involved in it."

He repeated the UK's call for pressing ahead with modernisation of nuclear weapons. "It may not always be necessary to have as large an armoury as we have today, but those that we have must be kept up to date," he said.

A weapons requirements study presented to Nato governments by General John Galvin, Nato's supreme commander in Europe, allows for reductions in the Alliance's nuclear warheads to coincide with modernisation.

The question of when decisions had to be made on the planned replacement for Nato's Lance battlefield missile still needed to be sorted out, Mr Younger said.

Mr Kohl and Mr De Mita appeared to take it for granted that the US had accepted that a decision on whether to modernise Lance would be postponed until 1992.

The West German and Italian leaders were optimistic that a compromise could be reached at the Nato summit in Brussels at the end of the month. Mr Younger shared the same confidence, saying there was "a wide area of agreement."

The British minister accepted that the West Germans had "a valid point" in

Continued on Page 20
UK defence policy, Page 10

Bush urges Europeans to exert pressure on Panama

By **Peter Riddell** in Washington

THE US will not recognise the results of a "fraudulent election" next Sunday in Panama to keep Gen Manuel Noriega in power, President George Bush warned yesterday.

In a further public intensification of US pressure against the Noriega regime, he called on allies of the US to speak out against election fraud in Panama. "That means the democracies of Europe, as well as nations in this hemisphere," he said.

The Bush Administration has been making increasingly strong warnings about the likelihood of fraud in an attempt to force the Noriega regime to limit its malpractices and to prepare public opinion for possible tough action.

Speaking to the Council of the Americas, a business group, Mr Bush praised opposition parties for campaigning but said it was evident the regime is ready to resort to "massive election fraud."

Mr Bush welcomed this week's elections in Paraguay, which he said was "on its way to joining the democratic mainstream."

He also renewed his call for an end to Soviet bloc support for "the Nicaraguan assault on regional democracy."

He stressed the significance of the recent US bipartisan accord on Central America, by Congress and the administration, for US efforts to bring peace to the region.

Mr Bush sought to put the blame on the Soviet Union for continued support of subversion in violation of the Esquipulas agreement concluded by Central American governments 18 months ago.

Price freeze imposed in run-up to Argentine election

By **Gary Mead** in Buenos Aires

THE ARGENTINE Government has imposed sweeping new economic measures in the hope of controlling hyper-inflation and restoring financial confidence. This comes 12 days before voting begins in a hotly-contested presidential election.

Just before midnight on Monday, Mr José Ignacio Lopez, presidential press spokesman, announced an immediate price freeze on all goods and services with the exception of fresh foodstuffs. Prices of many basic items in Argentina have risen several hundred per cent during the past month.

Public sector tariffs are to be increased by 20 per cent, with 25 per cent on all fuel prices. Family allowances and pensions are to be increased by 200 per cent, and half-yearly bonus payments will be paid earlier. The minimum wage fixed between government, business and trade unions will be 4,000 australs ($57) a month. Bank withdrawals are to be limited to 500,000 australs ($7,142), except for payrolls.

Mr Lopez also announced the abandonment of the so-called reference rate of exchange, introduced on April 14. As of yesterday, exporters, who had been required to use the recent very low reference rate of 35 australs to $1 for their foreign earnings, will now be able to use the free floating rate. Although all exchange facilities were officially closed yesterday, by government order, unofficial currency dealers were offering as much as 75 australs to $1.

Dollar strong despite intervention

By **Simon Holberton**, Economics Staff, in London

CONCERTED central bank intervention yesterday succeeded in taking some of the froth off dollar trading on the foreign exchanges but left demand for the US currency undiminished.

Nine central banks from Europe and North America, including the US Federal Reserve, the West German Bundesbank and the Bank of England, intervened in currency markets as the dollar headed towards DM1.89.

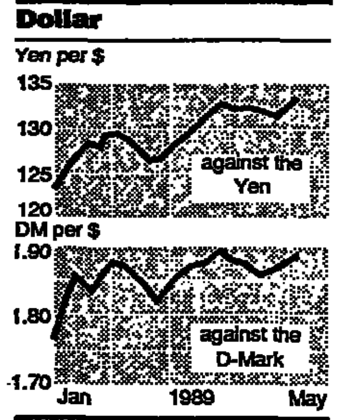
The intervention was described as modest by central banking officials and as ineffectual by currency traders, who detected a strong underlying demand for the US currency.

Analysts said the publication this Friday of US employment figures for April was looming as the most important event for the short-term course of the US currency.

The consensus expectation of US analysts is for non-farm employment to grow by 220,000 in April compared with a relatively modest gain of 180,000 the previous month.

The latest surge in the dollar comes after recent indications that the US economy continues to perform robustly and inflation may still be a problem. Such a combination would leave little hope for a reduction in US interest rates and may indicate the need for a further tightening in monetary policy.

Analysts said the currency was also benefiting from strong demand for dollar assets from investment managers.



Daf to float 63% of equity in London and Amsterdam

By **John Griffiths** in London

DAF BV, Europe's fifth-largest truck maker, is to float a 63.6 per cent stake on the London and Amsterdam stock exchanges later this month at a price which will value the company at between Fl 1.195bn and Fl 1.337bn ($560m-$627m).

A final price for the 18.1m shares on offer will be decided on May 24 – the planned start of the application period – within an expected range of Fl 42 and Fl 47 for each nominal Fl 5 share. Dealings on the London and Amsterdam exchanges are scheduled to start on June 5, following allotment of shares on June 2.

If fully taken up, the flotation will provide an immediate cash windfall of between £82m and £93m ($139m-$157m) for Rover Group, the formerly UK state-owned vehicles group, whose 40 per cent holding in Daf is valued by the offer at between £136m and £155m.

Rover received a 40 per cent stake in Daf when the Dutch truck maker took control of Rover's former Leyland Vehicles subsidiary in 1987. Under the flotation plans set out in Daf's preliminary prospectus yesterday, Rover will sell a 24 per cent holding as part of the offer.

Daf last year took a 9.4 per cent share of the West European truck market. Last year, it made a record net profit of Fl 147m on a turnover of Fl 5.2bn.

Amro, the Dutch bank, and Inifion IV BV, a Dutch investment company, are to sell their entire combined holding of 3.7m shares in the company.

Two other principal shareholders, VADO Hondstermaatschappij BV, controlled by the DAF-founding Van Doorne family, and DSM, the Dutch chemicals group, will sell partial holdings – representing a combined total of 6.3m shares – as part of the flotation.

After the flotation, Rover Group will have 16 per cent of Daf, VADO 11.2 per cent, DSM 6.5 per cent and another Dutch bank, Nationale Investeringsbank, 2.7 per cent. All have agreed to retain those stakes for the first two years after the float, reducing them if they wish by 50 per cent in each of years three and four.

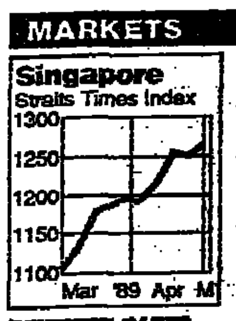
The float includes a free shares distribution scheme for Daf's 16,000 employees, including 7,000 workers at former Leyland plants in the UK.

Under it, each employee will receive 12 ordinary shares and the chance to apply for a preferential allotment of shares up to a maximum value of Fl 5,000.

Amro Bank is to act as overall co-ordinator and lead manager for the issue; S.G. Warburg Securities is to act as lead manager in the UK and Credit Suisse First Boston for the rest of the world.

Betting on trucks, Page 18; Lex, Page 20; DSM results, Page 22

MARKETS



INTEREST RATES
US lunchtime
Federal Funds 9 13/16% (same)
3-mth Treasury Bills: yield: 8.69% (8.784)
Long Bond: 99 3/32 (99 3/32)
yield: 8.95% (8.924)
London
3-month interbank: close 12 15/16% (same)

STERLING
New York lunchtime
$1.6825 (1.687)
London:
$1.6855 (1.6890)
DM3.1775 (3.1750)
FFr10.7400 (10.7325)
SFr2.8275 (2.8250)
Y225.50 (224.25)

DOLLAR
New York lunchtime
DM1.8925 (1.8817)
FFr6.3825 (6.3535)
SFr1.6825 (1.6762)
Y134.045 (132.00)
London:
DM1.8855 (1.8800)
FFr6.3725 (6.3550)
SFr1.6770 (1.6730)
Y133.60 (132.85)

GOLD
New York latest Comex June $380.1 (0.1)

STOCK INDICES
New York lunchtime
Dow Jones Ind. Av. 2,418.44 (+3.46)
S&P Comp 309.23 (+0.61)
London:
FT-SE 100 2,103.1 (-14.9)
World:
145.08 (Mon)
Tokyo
Nikkei Ave 33,954.99 (+181.82)
Frankfurt
Commerzbank 1,609.5 (-16.5)

OIL
Brent 15-day (Argus) $18.50 (-0.75) (May)
West Tex. Crude $20.095 (-0.45) (June)

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Divisions threaten unity of New Zealand's ruling Labour Party

Prime Minister David Lange has seen disillusioned Labour Party members defect to the New Labour Party. These defections could challenge Mr Lange's chances of re-election next year. Page 20

Coalition revolt threatens Dutch Government

By Laura Raun in Amsterdam

THE DUTCH Government was on the edge of collapse last night as the junior coalition partner demanded a decisive vote on one element of a sweeping national plan for the environment.

Mr Joris Voorhoede, parliamentary whip of the Liberal party, insisted that the Christian Democrat-Liberal cabinet drop its proposals to raise taxes to finance the plan. The ambitious scheme aims to reduce pollution in the Netherlands by as much as 90 per cent by the year 2010.

Mr Ruud Lubbers, the Prime Minister, was expected to answer that his proposals to scrap a commuter tax deduction and to raise fuel excise duties could still be modified.

The chances of a government collapse during last night's emergency parliamentary debate were seen as greater than 50 per cent by one source close to the Prime Minister. All opposition parties were set to support the Liberal motion, and Mr Voorhoede was committed to follow the initial motion, if it passed, with one of no confidence.

Mr Voorhoede has actively sought a higher profile for the right-of-centre Liberal party, which increasingly feels subordinated to the Christian Democrats, senior partners in the coalition. The Liberals traditionally have sought lower taxes, and object to proposals to abolish the tax deduction for private cars.

"The Liberal party's main criticism is aimed at the way the financial burden is spread," Mr Voorhoede told MPs during the tense debate. "A part of the necessary burden for financing the National Environment Plan cannot be unilaterally shoved on to commuters."

An early election would probably be held in September in the event of a collapse of the Government, which would remain in a caretaker capacity handling only existing business.

The Christian Democrats are the swing party in Dutch politics so they would be likely to continue in power after an election. The only question is whether the Liberals would be asked to join them again or be replaced by the opposition Labour party.

HUNGARIAN TROOPS yesterday began to remove a barbed wire fence on the country's border with Austria, thereby dismantling a part of the Iron Curtain that has divided Europe for four decades.

The fence was pulled down in the no-man's-land near the town of Hegyeshalom, on the main road between Budapest and Vienna, and at three other points. The work is scheduled to be completed by December next year.

"With the dismantling of this barrier, an era with our relations with Western Europe and particularly Austria is closed," an Interior Ministry official said.

The 20-year-old barrier replaced a minefield laid after the Communist takeover of Hungary in the late 1940s.

Daimler launches push for MBB

By David Marsh in Bonn

DAIMLER-BENZ, the giant West German motor conglomerate, yesterday lodged a formal bid to overturn the Federal Cartel Office's rejection of its takeover of Messerschmitt-Bölkow-Blohm (MBB), the country's largest aerospace group.

A 50-page letter sent by Daimler to Mr Helmut Haussmann, the Bonn Economics Minister, argued that the planned merger would be in "the German and European interest".

The proposed takeover, which has been backed by the Bonn government, is the largest and most controversial in the Federal Republic's history. The Berlin-based Cartel Office turned down the Daimler-MBB link 12 days ago on the grounds that the merged group would enjoy market-dominating positions.

Daimler justified the deal as improving European aerospace competitiveness in both the military and civil fields. Daimler said the takeover would save the Federal Republic DM3bn in subsidy payments up to the year 2000 by shifting German participation in the European Airbus project on to a private sector basis.

Mr Haussmann, who is facing a squall of criticism within his own Free Democrat Party over the deal, will now have to decide over the next few months whether the transaction can go ahead. Mr Haussmann has already rebuked his state secretary in charge of aerospace, Mr Erich Riedl, for having suggested that a ministerial waiver of the Cartel Office veto was a foregone conclusion.

Signalling a growing political battle over the affair, Mr *Edzard Reuter*, the Daimler chairman, warned separately yesterday against any compromise agreement over the MBB deal which would go back on Daimler's basic accord with Bonn last year.

The joint Daimler-MBB concern would dominate nearly all sectors of West Germany's arms and aerospace business. Daimler claimed yesterday that growing European economic integration made competition in these sectors trans-national rather than domestic. However, in view of the growing political opposition to the Federal Republic's military links within Nato, the transaction has prompted heavy protests from the Social Democratic Party and Greens Opposition.

Small steps on Community's road to 1992

By William Dawkins in Brussels

EUROPEAN GOVERNMENTS are today expected to take seven highly technical steps to reduce intra-EC trade barriers, but will fail to sink their differences on several more wide-ranging and important internal market proposals.

Commission plans for EC-wide merger control regulation, easier redress against unfair favouritism by public supply purchasing bodies, and a common right for students to live and work abroad will all be blocked by member states at a meeting of trade and industry ministers.

This will add to EC officials' fears that they are near the end of the recent progress in putting into effect the Commission's plan for an internal market in 1992. Governments have successfully negotiated their way to initial or final agreements on roughly two-thirds of the programme, in many cases sacrificing national interests. They now face the challenge of wrestling for accords over the most contentious proposals, such as the ones that will remain deadlocked today.

The 14-point meeting is instead expected to produce initial or final clearance for several relatively limited, though still significant, barrier breaking schemes. Among them are common rules for labelling and packaging cosmetics, tractor safety rules, curbs on radio interference from electrical goods, common methods of paying import duties, and the updating of existing regulations on fruit juice labelling. Ministers will also ask the Commission to negotiate for the EC at a conference by the World Intellectual Property Organisation on the international registration of trademarks in Madrid next month.

This afternoon, they will discuss in detail for the first time Brussels' attempt to win agreement for its plan to oblige large cross-border takeovers to obtain advance clearance from the Commission's anti-trust department. While the obstacles to agreement are still huge, Brussels seems prepared to negotiate on mergers, in the knowledge that member states are under pressure to clear up the present uncertainty surrounding the application of EC competition law to takeovers.

Financial constraints face new Hungarian ministers

By Leslie Colitt

HUNGARY'S new Foreign Minister, Mr Gyula Horn, is the most prominent of six new ministers in a reshuffled Government to be approved by Parliament next week.

As a senior central committee official in the late 1970s, Mr Horn planted the seeds of a new, more assertive and independent Hungarian foreign policy.

Other cabinet changes in the economic sphere reflect the dilemma faced by Mr Miklos Nemeth, the Prime Minister, in implementing economic reforms. He said recently that his predecessor, Mr Karoly Grosz, the party leader, left him a tea kettle "full of holes on a burning hotplate."

The Finance Minister, Mr Miklos Villanyi, is to be replaced by his deputy, Mr Laszlo Bekesi. Mr Villanyi came under fire for advocating a road toll which raised a storm of protests and was retracted.

The ministry was also criticised for giving advance notice of the raising of customs duties last month on privately imported electronics goods. Mr Janos Hoos is to be succeeded by his deputy, Mr Ernö Kemenes, as chairman of the National Planning Office, an organisation whose recommendations cannot be acted upon because of the crushing foreign debt and budget deficits.

Similar financial constraints face the new Minister of Industry, Mr Ferenc Horvath, previously Deputy Minister, in attempting to restructure Hungarian industry.

Other changes are: Mr Csabo Hütter who is to replace Mr Jeno Vancsa as Agriculture Minister; and Mr Ferenc Glotz is replacing Mr Tibor Czibere as Minister of Culture and Education.

Police arrest a man during May Day riots which continued sporadically yesterday in the streets of West Berlin

West Berlin Government condemns violent riots

By Leslie Colitt in Berlin

WEST BERLIN'S coalition government of Social Democrats and Greens sharply criticised the violent riots by masked and hooded anarchists which took place after an alternative May Day celebration.

More than 300 policemen were injured, 14 seriously, when nearly 2,000 anarchists in the Kreuzberg district hurled flaming missiles and stones at the police.

Cars were set alight, windows smashed and shops looted. One policeman was beaten and his pistol was stolen and 16 people were taken into custody. Mr Walter Momper, the SPD Governing Mayor, condemned the riots as "blind hatred" against the state and not a political protest. He said he would adhere to a policy of de-escalating the use of force while remaining firm with rioters.

His coalition partner, the Alternative List (AL) - West Berlin's Greens Party - was divided. Some members expressed understanding for the rioters but others criticised them. The left wing Tageszeitung called the riots the "most insane" action ever taken by extremists in Berlin.

West Berlin's BZ newspaper, which is published by the conservative Axel Springer company and highly critical of the "red-green" coalition, carried the banner headline "Berlin capitulates in face of street terror."

FINANCIAL TIMES

Published by the Financial Times (Europe) Ltd., Frankfurt Branch, represented by E. Hugo, Frankfurt/Main, and, as members of the Board of Directors, F. Barlow, R.A.F. McClean, G.T.S. Damer, M.C. Gorman, D.E.P. Palmer, London. Printer: Frankfurter Societäts-Druckerei-GmbH, Frankfurt/Main. Responsible editor: Sir Geoffrey Owen, Financial Times, Number One Southwark Bridge, London SE1 9HL.

FINANCIAL TIMES, USPS No 190640, published daily except Sundays and holidays. US subscription rates $365.00 per annum. Second-class postage paid at New York NY and at additional mailing offices. POSTMASTER, send address change to: FINANCIAL TIMES, 14 East 60th Street, New York, NY 10022.

Financial Times (Scandinavia) Ltd, Ostergade 44, DK-1100 Copenhagen-K, Denmark. Telephone (01) 13 44 41. Fax (01) 935335.

EUROPEAN NEWS

Haughey uses spectre of election to play on opposition nerves

By Kieran Cooke in Dublin

A POLITICIAN of stature combines an air of resolve and determination with a hint of unpredictability to wrong foot opponents. Mr Charles Haughey, Ireland's Prime Minister, is a seasoned practitioner of the art.

There is talk of a general election in Ireland. The date being mentioned is June 15, coinciding with European Parliament elections. Indeed, Dublin gossip gives an election within the next six weeks a high reading on the Richter scale of political certainty.

All eyes are now on Mr Haughey, his every move and gesture watched for some inkling of an announcement. But so far the Prime Minister has only hinted and blustered. Dublin bookies are having a field day.

Election fever began last week when opposition parties bandied together in Parliament to defeat the Government on the question of special funds for haemophiliacs infected with the AIDS virus. They wanted haemophiliac AIDS sufferers to be given funds of at least I£400,000 (£336,000) because they had contracted the virus through the state blood transfusion service. The Government should admit its liability.

Dr Rory O'Hanlon, the Health Minister, said the question of liability was a legal matter. While he recognised the plight of haemophiliacs it was the Government's duty to provide health services to all sufferers, "regardless of their ailments or how these ailments were required." Haemophiliacs could not be treated as a special case.

The Government was willing to make a payment through an AIDS fund of I£250,000 which, it was understood, would be made available to haemophiliacs with the virus.

The opposition, led by the small Labour party, wanted almost twice that amount. There were cross-party efforts at compromise on what was obviously a very emotional issue, but few felt a government defeat would lead to an election.

They had not, however, properly assessed the mood of Mr Haughey, who had just returned from an arduous three days in Japan to drum up much needed investment. The Taoiseach was clearly angry that a compromise on the motion had not been worked out and expressed concern about what he felt was a concerted opposition attempt to interfere with the Government's fiscal and economic policies.

The Prime Minister stopped short of a direct election threat but made his feelings clear. "If the Dail (Parliament) situation were such that it proved a constant source of anxiety to the Government, then we would have to seek a remedy, reluctant though we might be to do that . . . The one thing we don't want is any uncertainty in the implementation of economic and financial policy," he said.

Latest opinion polls give Fianna Fail 54 per cent popular support. Mr Haughey and his party have never before been so popular and an election now would seem to give Fianna Fail a clear chance of a majority, something which has eluded the Prime Minister in the four elections he has contested as party leader.

Many of Mr Haughey's ministers favour going to the polls. Despite 17 per cent unemployment and severe cuts in public service spending, a majority of the electorate would seem to approve of the way Mr Haughey has set about tackling the country's economic problems.

The national debt, though it still stands at more than I£24bn, has been stabilised. The balance of payments is running at record surplus levels. Inflation is only just over 3 per cent, while interest rates are a full five percentage points below those in the UK. For the first time in many years an air of economic confidence prevails, certainly among Dublin's money market men.

Mr Haughey might well decide to go to the polls while the going is good. Increased confidence has led to a growth in consumer spending and increased imports. There are growing fears about inflation. Petrol prices, already among the highest in Europe, are likely to go up later this month by as much as 20p a gallon. Drink prices are also set to rise.

Fine Gael, the main opposition party, which until now has supported the broad thrust of government policy, is becoming increasingly outspoken about what it sees as Mr Haughey's high handed style of government. Exchanges in the Dail between Government and opposition have become noticeably more vitriolic and direct. An uneasy alliance which existed in the face of the country's dire economic problems has fallen apart.

Furthermore, Ireland takes over the EC presidency next January. Mr Haughey will not want any political uncertainty then.

Haughey: prospect of a parliamentary majority

Third World may get anti-CFC aid fund

By John Hunt, Environment Correspondent, in Helsinki

AN INTERNATIONAL fund to help Third World states develop alternatives to chemicals which damage the ozone layer was under discussion at a meeting of the 46 Montreal Protocol nations here last night.

The intention behind the proposal, put forward by Finland, was to encourage China to sign the protocol, which commits member states to reduce chlorofluorocarbons (CFCs) by 50 per cent by the end of the century.

However, the Finnish proposal, which had wide backing at the conference, embarrassed the British delegation led by Mr Nicholas Ridley, the Environment Secretary.

The British Government believes that establishment of such a fund would be time-consuming and that it would be difficult to administer. It would prefer to see aid for CFC alternatives given bilaterally.

The Finnish proposal also calls for the speeding up of the protocol timetable and the complete phasing out of CFCs by the end of the century. This is in line with a similar decision taken recently by the EC countries.

CFCs, used in some aerosols, refrigerators and the manufacture of plastic foams are the prime cause of ozone depletion, and could cause a dangerous rise in ultraviolet radiation reaching the earth's surface.

However, if large countries like China start developing CFCs as a part of increased industrialisation, it would negate any reduction in their use by the highly developed industrialised nations. At a conference in London in March, China held out for some form of assistance to develop the technology to produce environment-friendly alternatives before signing the protocol.

"China is definitely prepared to join the protocol, once this guarantee is given," said Dr Mostafa Tolba, director of the United Nations' Environment Programme (UNEP), which supervises the protocol. It was the first meeting of the signatory countries since the agreement was signed in 1987.

He was optimistic that a majority of nations at Helsinki would approve the Finnish proposal. However, the idea of a fund would not be incorporated in the protocol at this stage.

If adopted, it would be a significant declaration of political intent, and would be followed up by working parties. It would go forward to the review meeting of the protocol countries early next year, where it would have every chance of being adopted.

Post-Franco Spain brings its vices out of the closet

The lifting of the lid has seen the public expression of once private excesses, writes **Peter Bruce**

European Diary

Spain

WINTER IN Santander is wet, so the kids stay inside the bars. In one, overlooking a dark, windswept beach, a young couple is playing chess.

At the same table, their two friends have been kissing non-stop for about 20 minutes. They are seated, but her head is practically touching the floor. No one pays any attention.

Outside a flashy discotheque in Madrid, a few hundred teenagers are standing around drinking large bottles of beer.

Dozens of couples are embracing, some bent over car bonnets, others standing and some, miraculously, doing it while they walk around.

It has been 14 years since the fall of General Franco's right-wing dictatorship triggered a revolution in public behaviour; but the shock-waves are still reverberating.

In a country where people over 40 remember being afraid, because of the austere Catholicism of the Franco régime, to hold hands in public, sex is everywhere.

What teenagers do in public, because they have nowhere else, their parents are doing in private.

One of the country's fastest growing service industries is the letting out, for a few hours at a time, of apartments to adulterous couples in Barcelona, Madrid and Seville.

With rates running at Pta3,000 (£15) for the first hour and Pta2,000 per hour after that, landlords have bought up prime property in big Spanish cities to cash in on sexual betrayal.

One such building, the Little White House in Barcelona, boasts some of Spain's most luxurious rented accommodation.

Prostitution is a huge money spinner. The nation's most prestigious newspapers are full of advertisements for explicitly described sexual services.

Some clubs are so sophisticated (particularly in Barcelona), that they will pick up clients from their hotels in chauffeur-driven Mercedes limosines and deposit them into the arms of high class call-girls whose services normally start at Pta40,000. Prices are lower in Madrid, but still begin at Pta15,000 in most clubs.

By some estimates, nearly 700,000 Spaniards live off prostitution or sex shows. There are more than 100,000 prostitutes in Barcelona alone: newspapers carry advertisements that appear to be placed by housewives who sell themselves while their husbands are at work.

Monsignor Fransisco Javier Martinez, a young auxiliary bishop, believes that Spain's revolution in sexual mores began well before the return of democracy.

"For me the change did not happen after Franco's death. It happened during the economic boom and the advent of mass tourism in the 1960s," he says.

Franco's Spain was – like so many outwardly prudish societies – rife with double standards: "A morally corrupt dictatorship which abhorred prostitution, adultery and gambling in fact tolerated all of these," says Mgr Martinez.

He might have added that public virtue and private vice have a long history in this country. The Inquisition recorded cases of priests misbehaving in their confessional booths, and one English traveller, Francis Willughby, reported in 1664 that "for fornication and impurity (the Spanish) are the worst of all nations, at least in Europe".

But the Franco regime, like Victorian England, was kinder to men than to women. And experts agree that that the Spanish male is not weathering the sexual revolution well.

"The male situation has become more complicated," says Mr Juan Pundik, an eminent Madrid psychotherapist. "They have remained more immature than their women.

"The speed of the change (in attitudes) has been incredibly fast, especially for women. There was a time when Spanish women were proud not to enjoy sex – it was thought too low class. If anything, the problem now in Spain is that women do not get enough sex from their men who still prefer to pay for sex and preserve the purity of their wives and mothers."

In a country where people over 40 remember being afraid to hold hands in public sex is everywhere. Teenagers are now doing it in public, their parents still in private

Other old attitudes die hard. A few months ago a magistrate outraged feminists by letting off with a token fine a businessman who had molested a mini-skirted secretary: "It was summer, it was hot, and perhaps he had eaten and drunk something. It produced this biological and psychological reaction," he reasoned.

In recent years, the sexual revolution has gone hand in hand with another form of public self-indulgence which can make embracing couples, and even sex hotels, look innocent by comparison: drug-taking.

The air at the Madrid discotheque whose clients kiss so passionately is heavy with the smell of hashish. As a girl wearing the tiniest of miniskirts trails out of the restrooms it is possible to glimpse a friend quickly finishing off a line of cocaine inside.

Spain has become a point of entry into Europe for Moroccan and Lebanese hashish, and more recently, cocaine from Colombia. Hashish is smoked in *porros*(hand-rolled cigarettes) from the poorest barrios to the smartest parties.

Rich city kids have flocked to join the growing "acid house" music cult in discos, opening up new markets for cocaine and amphetamines.

Because of their common language, says Colonel Arsenio Ayuso Soto of the Guardia Civil's customs service, "the Colombians find themselves like fish in the water in Spain. They are beginning to invest their money here too and we are starting to see cocaine addiction in Spain for the first time."

The social costs of drug-taking are all-too-visible in the capital. Heroin addicts can be seen everywhere, and police say 80 per cent of the city's rocketing petty crime rate is drug-related. Nearly 300 Spaniards died of heroin abuse last year and a further 20,000 were receiving therapy.

Last year police made 27,000 drug arrests, a high figure considering that possession is not a crime: Drug laws, relaxed in 1983, have been tightened again, but with Spanish prices for cocaine more than double those in the US, the Colombian drug mafia is pressing hard.

The emotional release that began 14 years ago – in a predictable enough reaction to the loosening of Franco's strait-jacket – shows no sign of flagging; if anything it is getting wilder, naughtier and in certain manifestations, more sinister.

It scares Mgr Martinez: "We are on the verge of becoming a nihilistic society," he says.

And the church, discredited in the eyes of many for its support of Franco and its own failure to adapt to the modern world, has lost much of the influence it might have had in helping a confused nation cope with its new freedom.

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OVERSEAS NEWS

Arafat pressed by Mitterrand on PLO policy

By Ian Davidson in Paris

PRESIDENT François Mitterrand yesterday received Mr Yassir Arafat, chairman of the Palestine Liberation Organisation, in the Elysée Palace and pressed him for clarification of a number of key aspects of PLO policy.

Mr Arafat was manifestly pleased with his 90-minute meeting with the French President – the first such encounter he has had with the leader of any of the three Western permanent members of the UN Security Council. He said afterwards that his conversation had been "useful and successful", and that it would give further impetus to the search for a peaceful solution in the Middle East.

Later, Mr Arafat told Mr Pierre Mauroy, former Prime Minister and now First Secretary of the Socialist Party, that he solemnly reaffirmed the commitment of the PLO to "recognise the resolutions of the United Nations, to recognise Israel, and to condemn and renounce terrorism".

The main issue on which the French President has called for clarification is the PLO attitude to a proposal by Mr Yitzhak Shamir, the Israeli Prime Minister, for elections in the Israeli-occupied West Bank and Gaza Strip. The PLO's initial response was to lay down patently unrealistic conditions, including the complete prior withdrawal of Israel from the territories and the holding of an international conference aimed at securing Palestinian rights to self-determination, but it is not clear whether this is still the PLO policy.

The carefully-balanced statement issued by the French President after the meeting appeared designed to pacify French Jewish and Israeli critics of his decision to receive Mr Arafat, by emphasising the PLO's recent renunciation of terrorism and its recognition of Israel's right to exist. The statement also indicated that President Mitterrand had indirectly called for a revision of the Palestine National Charter, by pointing out that it was not consistent in important respects with the policy programme adopted by the Palestine National Council in Algiers last November.

In general, the Charter implies a demand for the destruction of the state of Israel, since it claims the whole of British-mandate Palestine. In particular, President Mitterrand questioned Mr Arafat about the current status of the demand in the Charter for the right of Palestinians to return to their original homes, even if these had been in territory which is now Israel.

Mr Arafat will undoubtedly have sought to reinforce French support for the convening of an international conference on the Middle East conflict. But the true significance of his visit is no doubt more symbolic than substantive, as yet another step towards international respectability.

● The PLO will soon ask to sign the Geneva Conventions, the cornerstone of international humanitarian law, opening a new front in its battle to gain recognition for its self-proclaimed state, Reuter reports from Geneva.

Next week the PLO will seek admission as a full member of the World Health Organisation, a move strongly opposed by Israel and the US on the grounds that it is not representative of a country.

Ceasefire by Sudan rebels puts pressure on Khartoum

By Julian Ozanne in Nairobi

Garang: recent moves

THE surprise announcement of a unilateral one-month ceasefire by rebels in Sudan's six-year-old civil war has raised hopes for a negotiated peace and forced the Government into a difficult corner.

Throughout the past six months the Sudan People's Liberation Army has consistently outmanoeuvred the Khartoum government and captured the political high ground. Last November it negotiated a peace accord with the Democratic Unionist Party – then junior partner in the ruling coalition – which was widely seen as a sensible starting point for serious peace talks. The Government, represented by the Umma party and led by Mr Sadiq el Mahdi, the Prime Minister, rejected the agreement and allowed the issue to drag on for five months until the army grew impatient and forced a cabinet change and acceptance of the accord.

This latest initiative is further demonstration of the increasingly sophisticated tactical thinking of the rebels. Although the SPLA has won a string of military victories recently, capturing several government garrisons, the approaching rainy season means that the military campaign is likely to grind to a halt.

The SPLA, therefore, has nothing to lose militarily from a ceasefire and, indeed, has much to gain from this latest gesture of goodwill. As the international spotlight turns on to Sudan's civil war, which last year caused the deaths of 250,000 people from starvation, both sides are engaged in a battle for credibility.

So far the SPLA is winning. Western governments are blowing cool towards Khartoum as one administration after another appears to deflect initiatives with a mixture of fudge and delay.

Strong statements by Mr James Baker, US Secretary of State, earlier this year and the recent meeting between Mr John Garang, leader of the SPLA, and a Congressional delegation indicates that the US may take a higher profile in seeking a solution to the war and that previous negative attitudes to the rebels, who are backed by Marxist Ethiopia, may be softening.

The SPLA has renewed its call to implement last year's peace accord which calls for freezing of Islamic Shari'a law, abrogation of military pacts with Libya and Egypt and the lifting of the state of emergency before a constitutional conference can be held.

But the obstacles to acceptance of these terms by Khartoum remain. Although the DUP is back in government, the fundamentalist National Islamic Front, which leads the opposition, is determined to scuttle any agreement which threatens implementation of Shari'a. Mr el Mahdi appears to lack the political will to confront this issue. He also insists there is no military pact to abrogate.

To the outside world Mr el Mahdi's stance has been seen as increasingly stubborn. Yesterday he was quoted as welcoming the ceasefire, saying that, for every step the SPLA made, the Government was prepared to make two. However, he did not elaborate.

Cambodian peace plan put to Sihanouk

By John Murray Brown in Jakarta

MR HUN SEN, Prime Minister of the Vietnamese-installed government of Cambodia, yesterday presented a new peace initiative to Prince Norodom Sihanouk, the resistance leader, on the first day of talks in Jakarta to end the 10-year-old conflict.

The proposal included an invitation to the Prince to end his 20-year exile and return to Cambodia as head of state. An electoral commission is also to be formed of all parties to the conflict to prepare the ground for elections supervised by a multi-national force or control commission.

Speaking to reporters after two hours of talks, Mr Hun Sen described his discussions with Prince Sihanouk as "a step forward". However, he added: "In regard to the internal aspect of the problem there are quite a number of issues we need to continue to discuss."

Mr Hun Sen still refuses to countenance the dismantling of his regime as demanded by Prince Sihanouk prior to any elections. He also made no mention of a role for the 40,000- strong Khmer Rouge, the largest resistance force fighting Vietnam's occupation of Cambodia from bases near the Thai border.

In Jakarta on Monday, Prince Sihanouk had reiterated that any participation by the Khmer Rouge remained dependent on China, which has been its main backer. It was the Khmer Rouge government of Mr Pol Pot which devastated Cambodia, killing an estimated 2m people from 1975-1979 and prompting the Vietnamese invasion on Christmas Day 1978.

In April this year, Vietnam announced an advanced timetable for its withdrawal and all troops are now set to leave Cambodia by September. The announcement follows concerted Soviet pressure on its Vietnamese ally and comes a few weeks before this month's historic Sino-Soviet summit in Peking.

Prince Sihanouk has still to make a formal statement. However, on his arrival on Sunday the Prince, who was once ruler of this former French colony, said he was prepared to "soften" his position. The Prince has already agreed to Mr Hun Sen's suggestion to drop the title Kampuchea in favour of the old name of Cambodia. He has also apparently approved a new national flag which Mr Hun Sen unveiled on arriving in Jakarta.

Although these are only symbolic gestures, some Western diplomats suspect the 67-year-old Prince is searching for a partial solution – which might even include de facto recognition of Mr Hun Sen's government in Phnom Penh – if it means he can return to Kampuchea. The Prince and Mr Hun Sen are to meet again on July 24 in Paris.

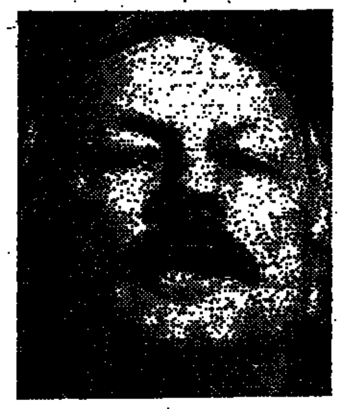
Lange faces trouble from Right and Left

Dai Hayward looks at the divisions threatening New Zealand's ruling Labour Party

THE New Zealand Government of Prime Minister David Lange and the ruling Labour Party are under attack from both left and right.

A new left-wing party has been formed by disillusioned former Labour Party members. Called the New Labour Party, it is led by its only Member of Parliament, Jim Anderton, who resigned from the Labour Party on April 18.

Mr Anderton has consistently criticised the Government, and particularly the economic policies of former Finance Minister Roger Douglas, which completely changed the fabric of New Zealand society.



David Lange, left, under attack from former finance minister Roger Douglas, right, over New Zealand's economic path

Mr Anderton's resignation from the Labour Party was followed by the departure of branch and senior party officials who support the old-style labour philosophy he expounds.

These defections will shake the party's selection campaign ahead of next year's elections and could encourage challenges to many sitting Labour MPs, including cabinet ministers associated with the radical restructuring policies known as Rogernomics.

Mr Anderton will remain in parliament as an independent.

The New Labour Party will advocate a return to Labour policies of former years, with the emphasis on job protection, safeguarding of local industry and provision of a high level of social welfare benefits.

Although Mr Anderton has enjoyed support from half a dozen Labour MPs whose selection as candidates owed much to his influence as former president of the party, none is expected to follow him into the political wilderness.

Some trade unions loyal to Labour are planning a campaign to encourage their members to stay within the party and support the Lange Government.

The new party is unlikely to achieve any political success – the history of third political parties in New Zealand is against it – but it would almost certainly attract sufficient disgruntled Labour votes to ensure the ruling party's defeat in next year's election.

The Government is already trailing badly in opinion polls and any further dissention within the Labour Party will add to its unpopularity.

At the same time Mr Lange personally, and his moves to slow down the pace of change, are under consistant attack from the right of the Party.

Former Finance Minister Roger Douglas and his two main supporters, Mr Richard Prebble, the sacked minister of state-owned enterprises and former taxation minister Trevor de Clene, have mounted a campaign of public meetings throughout the country to attack Mr Lange's leadership and any change of direction in the economic path Mr Douglas charted.

Support for Mr Douglas has varied from huge, wildly enthusiastic crowds in Auckland, where the financial fraternity especially benefited greatly from the free market policies he introduced, to a negative reaction in Christchurch, which suffered extensive unemployment and hardship from those same policies.

Public opinion polls reflect these different attitudes, showing Labour doing particularly badly in the Auckland area which provides a large number of the party's MPs.

Moves last week by supporters of Mr Douglas within the cabinet to have him and Mr Prebble brought back into the Government with new portfolios away from the finance area were firmly squashed by Mr Lange. He made it clear he would not consider reinstating his former close colleagues until they ceased their displays of disloyalty.

Mr Lange won strong support from government MPs when he defended his position after a lengthy and bitter attack on his record as leader by Mr Douglas.

Mr Douglas, who failed in a leadership challenge to Mr Lange earlier in the year, is unlikely to mount another direct challenge but would encourage one of the other possible contenders to do so.

In an obvious effort at conciliation with some sectors on the left of the party, and Labour voters unhappy with the effects of the past reforms, new Finance Minister Mr David Caygill agreed this week that "the pace and degree of change can ease" in some areas.

At the same time he stoutly defended the reforms introduced by Mr Douglas, stressing these had been necessary. He tried to satisfy both the pro- and anti-Rogernomic camps by saying the Government had little option but to continue its reform policy but that it could now move more slowly. He stressed that the new-style economy was just starting to deliver the promised rewards and that the benefits would increase over the coming year.

Answering critics of the speed of change, Mr Caygill pointed to Australia which, after introducing some economic reforms is "now back to where they started five years ago" bcause they moved more slowy with a less radical approach than New Zealand.

"Australia paid the price for not tackling many of the real economic problems while New Zealand, on the other hand, is now entering an era of growth that promises to be stronger and more sustained than any in our recent history," says Mr Caygill.

Mr Lange has dismissed the defection of Mr Anderton and some of his rank and file supporters, claiming they had never supported his administation or its achievements. He believes the Government will be all the stronger for their departure.

This may be the case within parliament itself where Mr Anderton's voice – and sometimes his vote – have been an embarrassment to the Government, but it will certainly not be the case in the electorate, where Labour now needs to retain every supporter and vote it can if it is to stand any chance of winning next year's election.

Arab officials set for talks in Beirut

By Lara Marlowe in Beirut

TWO Arab League representatives are due to arrive in Beirut from Damascus today to make arrangements with the rival Lebanese prime ministers for the arrival in the Lebanese capital of a 312-member Arab observer force.

But the ceasefire which Mr Lakhdar Ibrahimi, the league's assistant secretary general, and Mr Ahmed Aziz al-Jasser, the Kuwaiti ambassador to Syria, wish to implement already seems to be disintegrating.

Aoun: repeated demands

Yesterday, Lebanese army units loyal to General Michel Aoun exchanged artillery and rocket fire with Syrian troops and their Lebanese Moslem allies from just after midnight until dawn, killing three people and wounding nine. Yesterday afternoon, Christian forces at Baabda, where Gen Aoun has his headquarters, and Druze positions in the Chouf mountains were again under bombardment.

At a press conference broadcast by the Voice of Lebanon radio station, Gen Aoun, the head of the Christian military government, repeated earlier demands that Syrian troops leave Lebanon, although he said he wanted to pursue Arab League and other diplomatic efforts towards re-establishing a ceasefire. The general's public thanks to Iraq, Syria's political antagonist, for its support was scarcely conciliatory.

Gen Aoun also said he intended to reopen a makeshift Christian airport on the motorway at Halat, near Byblos. In the past, the opening of an airport in the Christian enclave has been opposed by Syria and its allies on the grounds that it would be a further step towards partition of Lebanon.

As usual, it was impossible to establish who started the battle yesterday, or precisely why. Gen Aoun repeated his assertion that his troops fire only in retaliation. But residents of the Christian enclave said they heard outgoing artillery fire before the first Syrian salvos landed early yesterday.

The Syrians and their allies may have started the shelling to punish Gen Aoun for his continued refusal to lift a blockade on illegal Moslem ports. Mr Selim al-Hoss, the Prime Minister of the rival Moslem government in west Beirut, the pro-Syrian general Sami Khatib and Gen Aoun appear to have accepted a compromise under which the Arab League would police the illegal ports.

But Mr Walid Jumblatt, the Druze leader, and Mr Nabih Berri, the leader of the Shia Amal militia, both of whom control illegal ports, are said to be resisting any interference in their affairs by the Arab League. On the other hand, Gen Aoun may have sparked off the shelling because he made no gains under the Arab League settlement.

Delhi opens air passenger services to private sector

By K.K. Sharma in New Delhi

IN a major relaxation of the policy of keeping key areas reserved for the public sector, the Indian government has decided to allow private companies to operate passenger aircraft in the country under a charter services scheme that will provide "air taxis" on regular routes.

Air transport on domestic routes has so far been the monopoly of the government-owned carriers, Indian Airlines and Vayudoot (a feeder airline operating regional routes) as well as Pawan Hans, a helicopter company.

All have been frequently criticised for poor service and their monopoly status and lack of competition has been cited as a main reason. The new air taxi service is ostensibly being permitted to increase passenger capacity but one function will be to provide competition.

Fifty five airports have been opened to the new service and there are expected to be more when the private operators start functioning. The airports include New Delhi, Bombay, Calcutta and Madras.

Foreign companies are not being allowed to take part but non-resident Indians have been invited to import aircraft for the purpose.

Because investment by Indians abroad will not require release of scarce foreign exchange for the new service, it is hoped they will take advantage of concessions given to them. These include easy repatriation of dividends.

It is clear the service will do more than provide aircraft for charter and operation of regular routes will be allowed provided charges are the same as on government carriers and if the air taxi leaves two hours after the regular service.

Members of Peking's "illegal" student union cycle to Tiananmen Square yesterday

Peking students ride in with their demands

By Our Foreign Staff

MORE than 60 students cycled in convoy yesterday to Peking's Great Hall of the People in Tiananmen Square, seat of China's government, to press demands for a dialogue with the authorities over reforms such as freedom of the press and of association and an end to corruption.

They handed their demands to an official and gave the leadership until noon today to respond or face more demonstrations tomorrow, the 70th anniversary of an historic student protest against the carving up of China by foreign powers under the Treaty of Versailles.

The students, who represented the committee of a newly-formed student union which co-ordinated last week's huge pro-democracy demonstrations in Peking, asked for government recognition of their union which represents protesters at more than 40 Peking colleges. It has also organised the present boycott of classes.

Senior officials have held several meetings since Saturday with selected Peking students, mostly representatives of officially-sponsored unions, but have refused to meet members of the new union which they describe as illegal.

Students do not expect as big a turnout for a march tomorrow as the 100,000-plus who took part last week in protests following the death in mid-April of Hu Yaobang, the former liberal party chief. Many are still at home after the May Day holiday.

But the authorities are nervous, particularly as tomorrow sees the opening of the Asian Development Bank meeting in Peking. Protests which hampered arrangements would embarrass the Government.

Students in Shanghai also marched yesterday to present a petition to government and party headquarters in the city.

Troops disperse Mauritanians with teargas

TROOPS fired rounds of tear gas yesterday to disperse crowds of Mauritanians trying to learn the fate of their countrymen fleeing ethnic riots in neighbouring Senegal, eyewitnesses said, Reuter reports from Nouakchott.

Some 10,000 Senegalese have now left Mauritania, but many more are arriving from the city of Nouadhibou, the main commercial centre. As many as 400 Senegalese may have died last week in racial violence sparked by a border dispute.

NZ party formed

A new left-wing political party has been formed in New Zealand by disillusioned former members of the ruling Labour Party, AP-DJ reports from Wellington.

Called the New Labour Party, it is led by Mr Jim Anderton, its only member of Parliament, who resigned from the Labour Party on April 18.

Malaysian surplus

Malaysia's trade surplus narrowed sharply to Ringgit 462m (£101m) in February from R926m in January, mainly due to reduced exports, Reuter reports from Kuala Lumpur. The February 1988 surplus was R760m.

Exports in February dropped to R4.8bn from R5.0bn in January but were higher than R3.8bn in February a year earlier. Imports slipped to R3.86bn from R4.10bn and R3.01bn.

Sri Lankan raid

Southern Sinhalese rebels of the extremist JVP carried out their most daring raid on military target when they attacked the heavily fortified Panagoda army cantonment 20 miles from the capital, Mervyn de Silva reports from Colombo.

The army said four rebels were killed and six soldiers injured.

Indonesian steel bail-out burns Suharto's fingers

Reformers receive ammunition for a state hands-off policy, writes **John Murray Brown**

A "sacrifice by the people" is how President Suharto described state subsidisation of Indonesia's steel industry. Today, after news of the Government's $75m bail-out of the largest steel project, many Indonesians are asking if that sacrifice has been worth it.

The crisis at Cold Rolling Mill Indonesia (CRMI) – an $825m joint venture between Krakatau, the state steel company, a Belgian-registered construction consortium and a local company part-owned by Mr Liem Sioe Liong, Indonesia's best-known industrialist – says a lot about the way both state and private sectors operate in Indonesia and why there is a growing feeling that the Government might have burnt its fingers once too often.

The rescue of CRMI comes as the World Bank is urging the Government to expose local industry to the full blast of international competition. But those who would like to see such reforms face demands for support from technical ministries where commercial patronage is still the main lever of political power.

Mr Liem Sioe Liong, according to Fortune Magazine, is Indonesia's only billionaire. Owner of the Hong Kong-based First Pacific group, this 72-year old Chinese Indonesian is also described as President Suharto's closest business colleague, involved in a string of large and often controversial enterprises from steel and cement to flour milling and sugar refining.

It is perhaps inevitable that comparisons are being made in the case of CRMI with the $320m bail-out at Indocement, another Liem concern which got into trouble in 1985, forcing the Government to take a 35 per cent equity stake.

And now talk of a possible $350m cash injection for CRMI highlights the question of the role of government in what was deemed a private sector project where finance was provided without sovereign guarantees.

According to Mr Tungky Ariwibowo, Krakatau chairman, CRMI's continuing losses result from poor sales and spiralling debt service costs. Export credits in French and Spanish currencies, both of which have appreciated against the dollar, make up a large part of the project's $620m debt. Much of its working capital needs, such as raw materials, meanwhile, are paid for in Japanese yen.

In a curious way the experience may well provide the necessary ammunition for reformists in the cabinet trying to block a number of industrial and infrastructure projects where the economics are less than proven.

Indonesia's total external debt is a heady $50bn – the highest in Asia. In the current year, debt service will absorb an estimated 40 per cent of the country's exports and 30 per cent of budget expenditure. Under such constraints the finance ministry's reluctance to offer further project guarantees is hardly surprising.

Technology Minister Mr Jusuf Habibie is enthusiastically promoting the idea of Build Operate and Transfer project financing on a range of schemes, from power stations to toll roads and telecommunications. Under the BOT system, the successful contractor recovers costs by running operations for up to 15 years.

With the Government already setting a ceiling on export credits and demanding strict terms on concessional finance, BOT and other so-called non-recourse tools are seen by foreign contractors as the best and perhaps only way to win business in Indonesia.

The BOT concept involves private sector finance and commercial risk. Some bankers argue BOT provides for a better project precisely because it shifts risk to the private sector. However, as Mr Richard Norton of Morgan Grenfell points out, "the role of government on BOT projects is so extensive that lenders will always want some kind of recourse to government".

CRMI's problems merely underline the point. Bankers say the latest capital infusion was unavoidable under the terms of a cash deficiency clause. The shareholders, in this case the Ministry of Finance, are required to step in when project revenues are not enough to service the debt.

Finance Minister Mr Johannes Sumarlin is now understood to have vetoed bankers' demands for similar contract terms on another semi-privatised steel project. Seamless Pipe Indonesia Jaya was envisaged as a $500m joint venture between Pertamina the state oil company, Bakrie Brothers, the leading non-Chinese business group, Panamanian-registered Asia Pacific Pipe Investment, which is partly owned by a son of President Suharto, and PT Encona, a local engineering concern. The project was set up in 1986 as a monopoly to supply unwelded steel pipe for the domestic oil industry.

Thus CRMI's troubles appear to have ensured that the seamless pipe project will become the first victim of Indonesia's reforming zeal.

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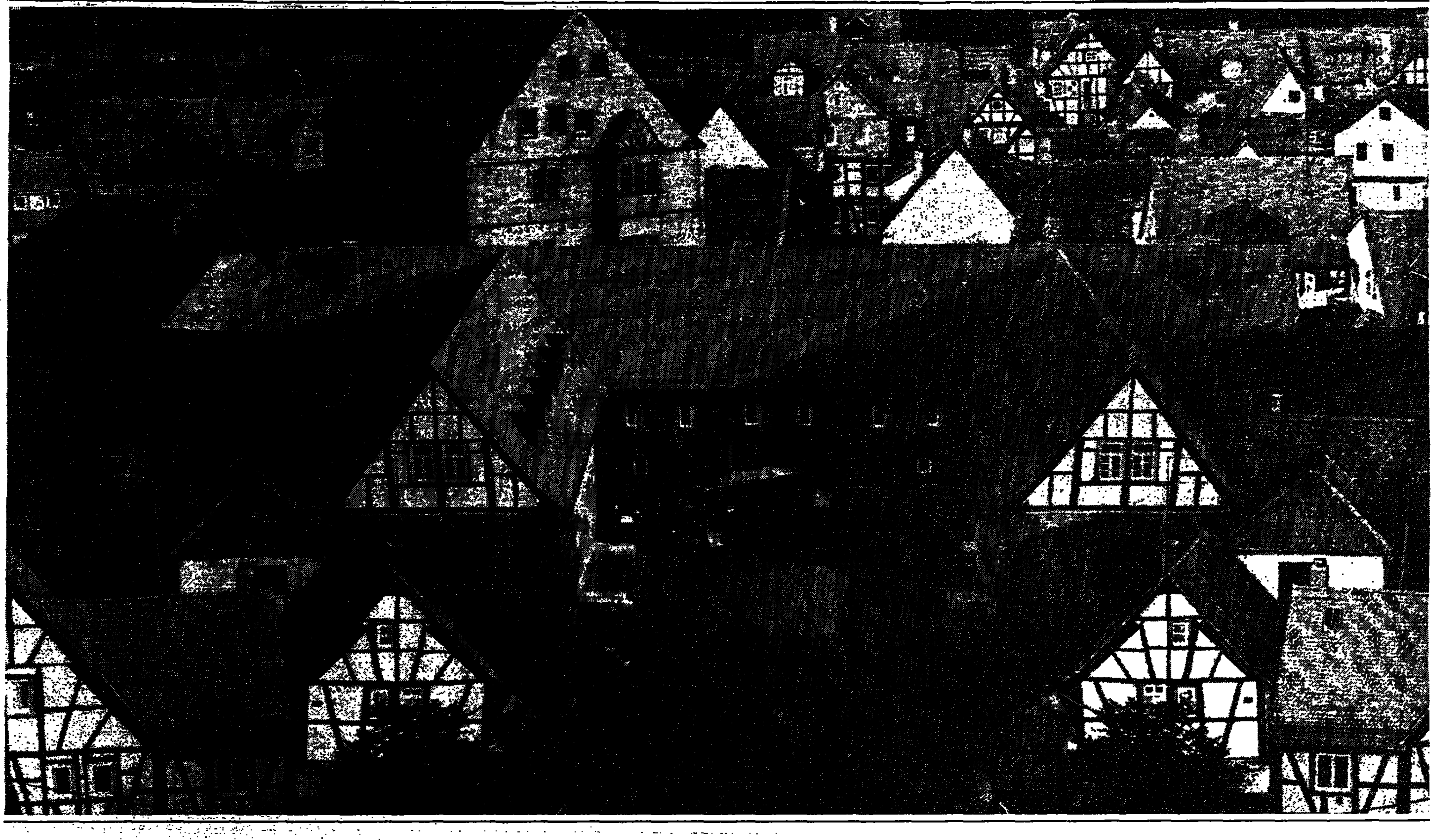

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Rodriguez wins in Paraguay

By Ivo Dawnay in Asunción

Oppositon demonstrators protest against Government supporters in Asuncion after allegations of election irregularities

GENERAL Andrés Rodriguez, Paraguay's new president, and his Colorado Party were celebrating yesterday a crushing victory in the presidential and congressional elections held on Monday among bitter accusations of widespread poll fraud from opposition parties.

Unofficial Colorado figures showed that three out of four electors had backed the general, who led the February 3 coup that ended the 34-year-old dictatorship of President Alfredo Stroessner.

With nearly half the 2.2m total vote counted, Gen Rodriguez had 74 per cent of the vote against 20 per cent for his nearest rival, Mr Domingo Laino of the Authentic Radical Liberal Party.

A similar margin emerged in the Congressional voting. None of the remaining six contesting parties gained more than 2 per cent of the total vote.

Under the unreformed constitution, the outcome will give the Colorados two thirds of both houses of Congress, with the rest split proportionally.

As the extent of the general's victory was revealed, leaders of the four main opposition parties met in emergency session to discuss withdrawing from the contest in protest at "grave and widespread" voting fraud.

They claimed that, in many districts, their support had been undermined by falsified electoral lists, inadequate measures against multiple voting and intimidation.

Foreign observers tended to conclude that, while there were many irregularities, many were attributable to practices left over from the Stroessner regime, not to concerted action by the government.

Independent Paraguayan commentators added that the election had been far cleaner than previous, blatantly rigged, contests and that its outcome was never in doubt.

Gen Rodriguez has committed his government to broad reform, and promised to step down from the presidency in 1993.

For now, his government faces growing pressure for economic reforms, union demands for wage rises and the urgent need to raise public sector prices and tariffs to reduce its deficit.

Terrorist attacks intensify in Peru

By Veronica Baraffati

THE war between Peru's left-wing guerillas and the Government is intensifying as the Government comes under pressure to produce a coherent anti-subversive plan.

The weekend saw several terrorist attacks in the country, including one on a Lima police station when a policeman was killed.

On Friday the armed forces intercepted two lorry loads of armed and uniformed Tupac Amaru Revolutionary Movement (MRTA) Terrorists on their way to ambush Concepcion in the Department of Junin, a few hours inland from Lima.

More than 60 terrorists and six soldiers were killed in one of the most bloody clashes to have taken place in Peru's nine year war against terrorism.

President Alan Garcia flew to Tingo Maria and spent the night in Tocache on Monday after inspecting the anti-subversive forces in an area crippled by drug wars and terrorist attacks.

Early on Tuesday morning Mr Garcia held meetings with the military command of that region.

Mr Garcia's ruling American Popular Revolutionary Alliance (APRA) Government will today continue to be questioned by the opposition in Congress.

This was was interrupted last Wednesday by Mr Armando Villanueva del Campo's ill health and the murder on Thursday morning of United Left Deputy Mr Eriberto Arroyo Mio.

Although many questions have been addressed to Mr Carlos Rivas Davila, the Finance Minister, about the Government's failure to draw up a coherent economic plan for the country, it is the anti-subversive plan which is expected to take most of the brunt this week.

Mr Villanueva del Campo, Prime Minister and Minister of Interior, and General Enrique Lopez Albujar, the Defence Minister, will be under fire from the opposition.

There are rumours that once the questioning of Government is over in Congress, there will be a Cabinet resignation.

● The Peruvian Central Bank announced the country's seventh devaluation this year at the the weekend.

The 10.4 per cent devaluation was accompanied by a round of 30 per cent wage increases bringing the minimum wage up to almost $40 per month.

There is speculation that a new currency will be coined later this year by knocking three zeros off the present Intis.

These came into existence four years ago by taking three zeros off its predecessor, the Sol.

Canada drops tax on profit margins

By David Owen in Toronto

THE CANADIAN government has abandoned plans to impose a tax on the profit margins of financial institutions, which would have cost the country's banks, trusts and insurance companies an estimated C$1.4bn a year.

The financial margin tax was first proposed in 1987 and was to have been implemented in 1991. In effect it would have taxed core revenues, including insurance premiums, dividends and interest payments.

The decision was revealed in a discussion paper on the proposed new federal sales tax which accompanies the austere fifth budget, announced last month, of Mr Michael Wilson, Finance Minister. There will be no exemption for financial institutions from the proposed 9 per cent multi-stage sales tax itself, however.

Bank stocks have reacted very positively to the scrapping of the proposed margin tax. Last week, the financial services sub-index rose 3.35 per cent on the Toronto Stock Exchange, against a gain of well under 1 per cent for the whole TSE-300 index.

Pinochet lifts minimum wage

By Barbara Durr in Santiago

GENERAL Augusto Pinochet, Chile's President has raised the minimum wage, but the increase was below what Unions have asked for and what major industrial associations were willing to accept.

The wage hike comes after price increases for bread and fuel and amidst a Government effort to cool off an overheating economy. In the first quarter, industrial expansion though 15.3 per cent and sales 12.2 per cent.

General Pinochet, who used his May Day speech to defend his 1973 coup against former President Salvador Allende and lash out at the opposition, said that as of June 1, the minimum monthly wage would rise from approximately 15,000 pesos to 18,000 pesos or some $60 to $72.

No need to lip-read this tax talk

Bush's men can be heard loudly talking rises, writes Peter Riddell

TAX increases are no longer being whispered. They are being spoken out aloud, even if still only privately by members of the US administration.

President George Bush may still adamantly – and frequently – repeat his "no new taxes" campaign pledge. But his advisers increasingly concede that new taxes are likely to be inescapable if the Gramm-Rudman deficit target of $64bn in fiscal 1991 is to be met.

The immediate cause of the renewed speculation has been leaks of discussions which Mr Bush held at Camp David 10 days ago with a wide-range of economists. There is no agreement about what was said. Mr Jude Wanniski, one of the leading prophets of supply economics, and a participant, has reported in his newsletter that proposals were made for linking an increase in the gasoline tax with the proposed cut in capital gains tax.

But Mr Richard Rahn of the US Chamber of Commerce has said that no supply-sider at the meeting wanted any kind of tax increase and certainly not the suggested trade-off.

Whatever happened, the politically important point is that the trial balloon of a higher gasoline tax has been floated, and has come under considerable fire. Rural and motoring groups are already lobbying furiously against the idea and Congress is divided with key Senators such as Mr Lloyd Bentsen, chairman of the Senate Finance Committee, strongly opposed.

Even Mr Leon Panetta, the Democratic chairman of the House Budget Committee, who is sympathetic to a higher gasoline tax in principle, notes the problem that gas prices are already rising sharply.

Gasoline tax is 9.1 cents a gallon, well under international levels, and every extra cent would raise about $1bn. Mr Roger Porter, the president's domestic policy adviser, has suggested that any tax on energy should be broader and not just limited to gasoline.

There are two stages of the tax debate. The first is how to meet the 1990 deficit target of $100bn. The outline Budget agreement of mid-April contained $5.3bn in increased revenues, notably from the initial boost produced by the proposed reduction in capital gains tax. This cut is opposed by leading Democrats, both because of the expected revenue loss in later years and on equity grounds. There are also arguments about other elements of the package, such as user fees and asset sales.

The mid-year economic forecasts will indicate by July 15 whether more needs to be done to meet the Gramm-Rudman target. Professor Michael Boskin, the chairman of the President's council of economic advisers, this week noted several offsetting factors: short-term interest rates are substantially above previously projected levels but unemployment has been much lower and nominal Gross National Product has been higher.

If there is an impasse on the capital gains and tax issues – let alone problems over spending in congressional appropriations committees – and the revised forecasts show a much higher deficit, then there could be a budgetary crunch with the threat of sequestration, or across-the-board spending cuts, in the background.

AN alternative, and equally plausible, view is that the forecasts, based on the recent relatively strong economic performance, will be optimistic and that it will be possible to fudge the revenue issue for this year. So the deficit numbers for fiscal 1990 may be made to look all right, even if no one realistically expects them to fall lower than $130bn to $140bn at best.

In theory, talks between the Administration and Congress about fiscal 1991 should start within 10 days of the 1990 Budget resolutions being approved by the Senate and the House. This probably means late May or early June. However, congressional leaders have said that no serious talks are possible until taxes are genuinely on the table. But the Administration may be unwilling to be so explicit until the manoeuvring over 1990 is out of the way and the fiscal year has started on October 1.

While time makes it easier to dump campaign pledges, a delicate exercise may be needed to save President Bush's face. Apart from expedients such as a gasoline/capital gains tax package, other possibilities being aired are temporary tax and spending measures specifically for deficit reduction. Hence a two- or three-year surcharge on income tax for the better-off might be linked with rises in social security benefits of below the inflation rate for the same period.

All these options are controversial with Republican conservatives and supply-siders suspicious of any tax increase and ready to rebel against any deal with the Democratic leadership. The Administration is already receiving grass-roots protests about the $5.3bn revenue element in this year's package.

While the Rose Garden agreement of mid-April on fiscal 1990 has been widely derided as flimsy and flawed, it may have been a politically necessary preliminary to these much tougher negotiations. Yet the budgetary history of the 1980s has been of the crunch being postponed unless there is a crisis in the financial markets.

US managers see slower but sustained growth

By Anthony Harris in Washington

SUSTAINED but slower US economic growth, with a sharp fall in inflation, is predicted in the semi-annual forecast of the National Association of Purchasing Managers (NAPM), out yesterday.

Meanwhile, official figures released yesterday show some revival in manufacturing orders, but deepening recession in the housing market.

The NAPM forecast was described as "cautiously optimistic" by Mr Robert Bretz, chairman of NAPM's business survey committee.

It reinforces the message of their April review. This showed some pick-up in activity from March, suggesting a sustained first-quarter growth rate and the best export orders since December.

The 3.8 per cent inflation forecast, compared with 5 per cent in 1988, represents a balance of views. A large majority of members – 78 per cent – reports paying higher prices for supplies than earlier in the year, but the weighted average of price increases, at 2.9 per cent, compares with an average 3.8 per cent in a similar survey in 1988.

Official figures show that apart from aircraft, orders for durable goods fell by 3.6 per cent.

Mexico may put interim finance request to banks

By Stephen Fidler, Euromarkets Correspondent

CHAIRMEN of the leading commercial bank creditors dealing with Mexico were expected yesterday to consider a Mexican request for interim financing, at a meeting in New York to discuss the country's proposals to benefit from debt relief.

The meeting was called by Mr John Reed, chairman of Citicorp, which heads Mexico's 15-bank advisory committee. Bankers said the the meeting of bank chairmen, similar to some held amid previous negotiations between banks and debtor countries, had been contemplated for some time.

Mexico is anxious for quick results from its talks on a financing package and has presented banks with four options: new loans or interest capitalisation, reduction of debt principal or of debt service.

However, talks appear not to have moved quickly, in part because the scale and type of IMF and World Bank support for the proposals is as yet undefined. This may be why interim financing is now considered necessary.

● Venezuela has indicated to creditor banks that it will make significant interest payments to stop it falling more than 90 days behind in interest payments to banks.

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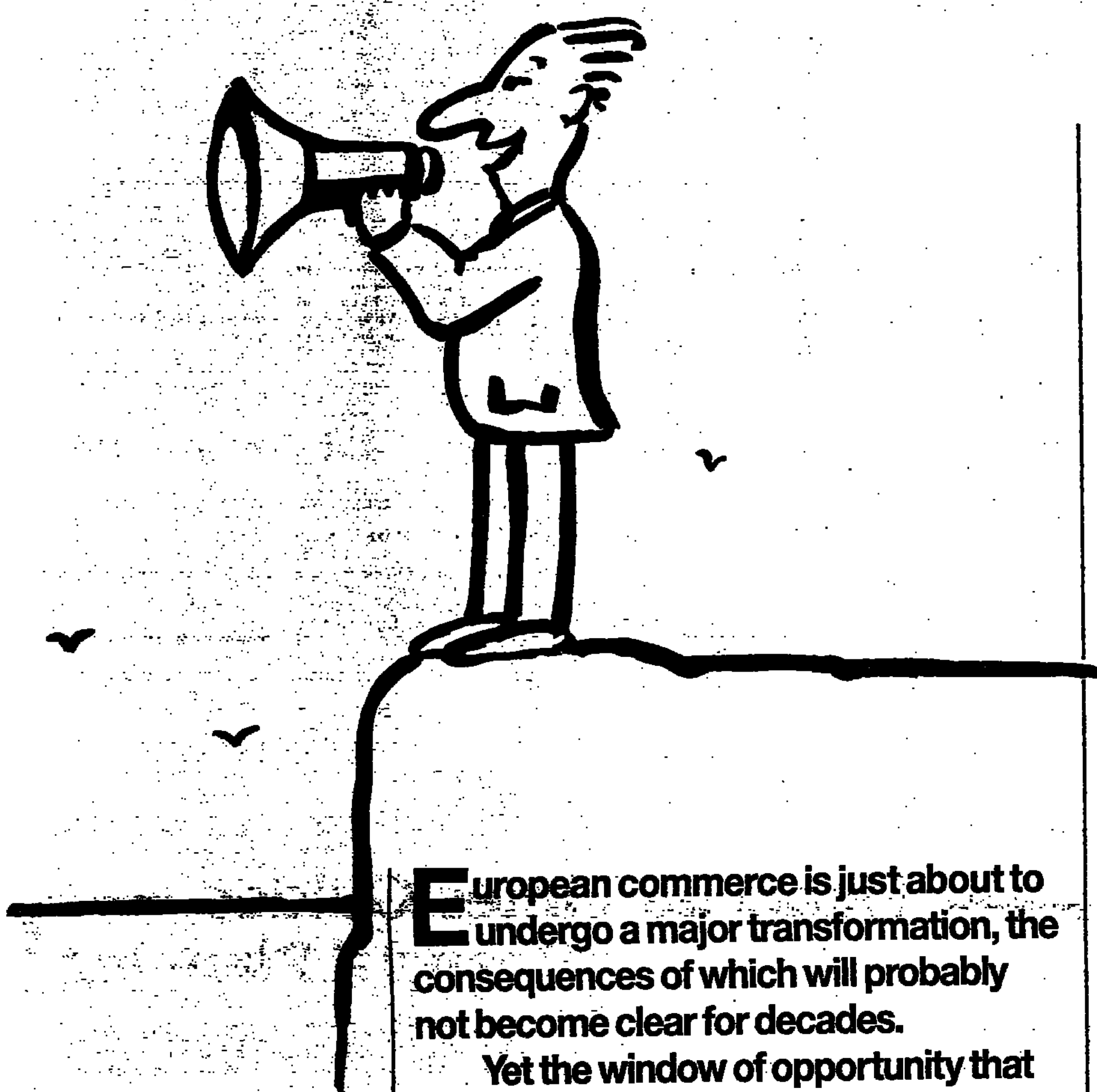

European commerce is just about to undergo a major transformation, the consequences of which will probably not become clear for decades.

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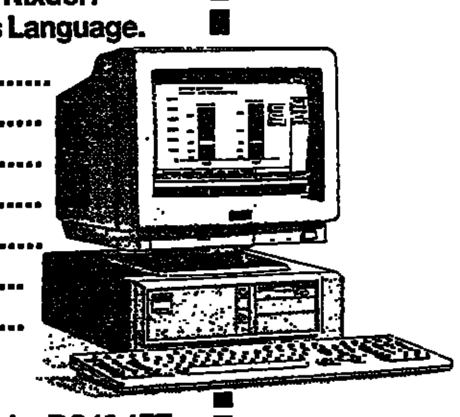

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WORLD TRADE NEWS

Hewlett-Packard acts to boost Brazilian sales

By Louise Kehoe in San Francisco

Hewlett-Packard, the US computer and electronics manufacturer, plans to combine its Brazilian computer operations with those of Companhia Iochpe de Participaceos, a Brazilian conglomerate, in a move designed to broaden HP's access to this high-growth market.

Brazil is estimated to be the seventh largest computer market in the world and is by far the largest in South America. Computer sales by foreign-owned companies are, however, tightly restricted by the Brazilian government.

Under the terms of an agreement announced by Hewlett-Packard, a new Brazilian-owned company, Edisa Informatica, will be formed by combining three existing companies: Edisa-Electronica Digital, a subsidiary of Iochpe; Tesis Informatica, an Iochpe company that sells HP computer products; and HP Do Brasil, a company jointly owned by Iochpe and HP.

"This consolidation will create the only computer company in Brazil capable of offering customers a full range of computing solutions, from calculators to super minicomputers," Mr Manuel Diaz, general manager of HP's Latin America Region, said.

The new company's status as a national firm will enable it to supply a broader range of HP products and technologies to Brazilian customers, he explained.

Previously, HP had been allowed to sell only its minicomputer and higher performance computers as well as test and measurement equipment in Brazil.

Shareholders of the new company will be Brazilian nationals and Iochpe will be the controlling shareholder. As part of the partnership, HP will provide technology and support to the new company. Further terms of the agreement were not disclosed.

The new company will have its headquarters in Sao Paulo and offices in 11 major Brazilian cities as well as manufacturing facilities in Gravatai, *Rio Grande do Sul and Campinas*, Sao Paulo.

Gatt monitoring unit formed

By William Dullforce in Geneva

MR Arthur Dunkel, Gatt director-general, has moved quickly to implement the regular monitoring of countries' trade policies by the General Agreement on Tariffs and Trade agreed last month at the Uruguay Round mid-term review.

A trade policies review division, under Mr Frank Wolter, was established within Gatt yesterday, with an initial staff of five.

Mr Wolter, 45, has been counsellor in Gatt's economic research and analysis unit since 1983. Before that he was a deputy research director at the Kiel Institute for World Economics.

The new division will conduct its first review – of US trade policy – later this year.

EC voices concern on US report on barriers

By Tim Dickson in Brussels

THE European Commission yesterday voiced its "profound concern" about the use to which the US may put its 1989 National Trade Estimates Report of foreign trade barriers, published in Washington yesterday.

The report, which singles out alleged unfair trading practices in the EC such as the beef hormones ban and restricted access to national telecommunications markets, will be used as the basis on *May 30* for identifying so-called "Super 301 countries".

These are "priority" cases with the most numerous barriers which will be the subject of special investigation and negotiation under Section 301 of last year's Omnibus Trade Act.

The Commission yesterday said the report was under careful consideration, but it wished "to emphasise again the risk for the international system of the use of unilateral retaliatory measures incompatible with international rules governing trade".

Officials said they were not worried by the list as such, more by sanctions and procedures attached to the Trade Act. Concern in Brussels centres on whether the new Administration can hold back the clear protectionist pressures which have been building up in the US Congress.

In a move described last night as "purely coincidental", the European Commission will today publish its own list of practices and restrictions where it considers its trade partners (including the US) are failing to live up to their international obligations.

Tehran pulls the rug on its famous export

Scheherazade Daneshkhu on the decline of the Persian carpet since the revolution

THE ONCE booming market in Persian carpets has undergone its own *fundamental changes* since the Iranian revolution in 1979. The news is mostly bad.

Carpets account for more than 40 per cent of Iran's non-oil exports, the industry *employing some 2m* people. But it represents more than that: Iranians have long regarded the weaver's craft as part of their cultural heritage.

In a country that suffers from a densely-populated capital and seemingly unstoppable urban migration, the carpet industry provides employment for villagers in their birthplace all year round. Peasants in more than 30,000 villages, as well as nomadic tribes, are involved in carpet weaving, a lucrative way to spend the otherwise idle winter months.

During the oil boom the Arab market rivalled the traditional hold of the European centres in the carpet trade as brokers brought for the palaces of the sheikhs and princes of the Gulf states.

These days, dealers still aim for the Gulf, but not for its palaces. Instead, they go to get stocks for their warehouses through its ports: carpets are being smuggled out of Iran to such a degree that nearby Dubai has displaced the major European cities as the main centre for distribution.

Before the revolution, Iran was exporting carpets valued at $400m annually. By 1983 their value was $57m. One reason has been spiralling inflation since the revolution. The rise in domestic production costs has meant an increase of 40 to 50 per cent in prices and Westerners have begun turning instead to carpets from India, Pakistan, Romania, Turkey and China.

Another factor was the policy of tight controls and elaborate bureaucratic arrangements adopted by the newly-formed Islamic Government. It was the luxury element that earned carpets the particular disapproval of the authorities. *They also wanted* to stop emigrating families from taking what was seen as the wealth of the country with them.

One of the most unpopular and damaging controls, according to dealers, was the new Exchange Undertaking, by which the exporter had to sell his foreign exchange earnings to the Government at the official exchange rate of $1 to 70 rials. This compared with the black market rate of $1 to Rs300 rials in 1979 and $1 to Rs1,000 today.

The export procedure involves sending the consignment of carpets to the Customs House for valuation. This valuation has a direct bearing on the exporters eventual profit. If the valuation *is less than the* cost price, some foreign exchange is saved which can be sold on the black market. Overvaluation results in hardly any profit.

Distrust by the new authorities of *ancien regime* officials led to valuation being taken over by the Government's own people. Many established exporters were unhappy with the *arbitrariness and favouritism* they showed. Some were driven into the ground while others paid smugglers to get their carpets out for them, in spite of the risks.

Iranian carpet workers weave their cultural heritage

Discontent in the bazaar and stagnancy in the carpet industry as a whole put pressure on the Government to come up hurriedly with new legislation. Customs valuation was to be set officially at 40-60 per cent below the current price – a move which glossed over the scope for black market dealings that this encouraged in *spite of the high penalties.*

In recent years, the Government has tried to combat this with additional measures. A bonus of Rs350 to the dollar is given to any exporter who decides to take the legal route and sell the proceeds of his sales to the Government.

The introduction of such incentives has led to some recovery. The value of carpets *exported saw an increase from* the all-time low of $57m in 1983 to $140m in 1986 and $499m in 1988, close to the pre-revolution level, though not in real terms.

Dealers say the improvements have come too late to restore the industry. Apart from the blow to business, traders argue that lack of government promotion for the industry has resulted in a decline in quality. High-quality carpets require long-term investment since they take a number of years to weave, need talented designers and *the import of fine wools and* dyes.

Over the past decade many of the long-established families in the business have closed up shop. They include Sadegh Seyrafian and Hekmatnejad in Isfahan, Rashtizadeh in Qom, Arjomand in Kerman and others in the renowned carpet cities of Tabriz, Nain and Kashan.

With the revolution, many of them lost an important patron in the royal court itself. For example, the Amoghli factory in Mashhad was commissioned by Reza Shah, the Shah's father, to produce carpets for his palaces. The Shah himself patronised the Isfahan carpets of Hekmatnejad and Sadegh Seyrafian. Most of the carpets in the Niavaran palace in Tehran and those given as gifts to visiting heads of government were woven at their factories. Today, one of their rugs measuring 2.25m by 1.5m can fetch up to £15,000 at London auctioneers.

Dealers say that until the Exchange *Undertaking is* lifted, the carpet industry will not revive. They argue that many of the Government's fears regarding lack of controls are no longer justified, since those who want to take their wealth out have either done so or are smuggling it out anyway, while those engaged in the carpet trade will wish to re-invest their earnings in the country.

Moreover, they point out that any revenue accruing to the Government under the present system is more than offset by the amount lost through the illegal export of carpets.

The main problem for the Government remains that of getting to grips with the economy by controlling inflation, establishing a confident business climate and increasing productivity.

Tokyo crisis stalls Australian initiative for Pacific OECD

By Chris Sherwell in Sydney

THE current political upheaval in Japan, and persistent bureaucratic rivalry in Tokyo, appear to have stalled an Australian initiative to create a Pacific Rim regional body similar to the Organisation for Economic Co-operation and Development (OECD).

Mr Bob Hawke, Australia's Prime Minister, first launched the initiative when he visited Seoul at the end of January, and Mr Richard Woolcott, head of Australia's foreign affairs department, is just completing a tour of eight Asian capitals explaining the proposal.

But in Tokyo this week, he ran into problems. He had hoped to harmonise the Hawke proposal with one from the Japanese government. But as he put it, that depended on Tokyo "getting its act together" and reaching a unified position.

Instead, he found continuing differences between the Ministry of International Trade and Industry (Miti), which generally backs the idea, and the Foreign Ministry.

According to Mr Woolcott, one concern has been to ensure that the six Asean countries – Indonesia, Singapore, Malaysia, Brunei, Thailand and the Philippines – are comfortable with the proposal.

From his tour, Mr Woolcott insists they are, so he now hopes that a planned visit to the Asean region by Mr Noboru Takeshita, the outgoing Prime Minister, will convince Tokyo to join in. Mr Takeshita's trip is due to start this weekend.

Mr Hawke's original proposal was addressed to nine countries: Japan, South Korea, the six Asean states, and New Zealand. It followed a number of other proposals from various quarters for greater co-operation in the region, all of which sought to build on the growing inter-dependence of trade in an increasingly dynamic region.

Canberra initially found it necessary to soothe US reaction to the plan, because Washington had expected some advance consultation and felt left out. The US has since given broad backing to the idea, although other possible initiatives are also under discussion within the US Congress.

From the beginning, Canberra has insisted that its proposal aims to support an open multilateral trading system. It does not envisage a trading bloc, nor does it foresee competition with institutions such as Asean.

Australia has also left open the question of membership. Earlier this month, Mr Woolcott acknowledged Vietnam could be invited once its troops were withdrawn from Kampuchea, and it is clear that China and Canada, as well as the US, could participate.

One immediate Australian objective is a regional ministerial meeting to be held later this year, in Australia or elsewhere. Although the agenda would have to be worked out, the meeting would be expected to discuss co-operation in general and the specific idea of a permanent institutional secretariat.

This would arrange meetings and undertake research, drawing on existing resources such as the Pacific Economic Co-operation Conference, which emerged from an earlier *Australian-Japan initiative, and*, according to Canberra, has become so informal it cannot address major policy issues.

A Pacific OECD, by contrast, could improve the chances of success for the Uruguay Round of trade talks, encourage the removal of obstacles to trade in the Pacific region, and identify common interests which would *form the basis for co-ordinated* policy.

Given the momentum which has already built up, the apparent stumbling in Tokyo this week may turn out to be only a temporary setback.

Yesterday, Mr Hawke said his initiative had "very considerable" support and expressed confidence that a ministerial *meeting would go ahead this* year.

But it was a sharp reminder how bureaucratic and political sensitivities can hamper international trade diplomacy.

New Delhi provides relief for consumer electronics

By David Housego in New Delhi

THE Indian government is to provide relief for the Indian consumer electronics industry which is facing a sales slump because of new duties on components and finished products imposed in the February budget.

Sales of black and white TVs are currently 40 per cent down on levels at the end of last year, according to the Indian Television Manufacturers Association.

New 14in colour TV models introduced this year have remained virtually unsold. India produced 5.7m TVs last year, of which 4.4m were black and white.

Mr S.B. Chavan, Finance Minister, announced yesterday that the government was withdrawing new duties on black and white picture tubes and TV sets, which had pushed up their retail value by 15 per cent.

He also announced that the government was halving a 100 per cent increase in duty on colour TV sets, bringing the new rate to Rs1,500 a set.

Additional duties on components and raw materials *introduced in the Budget* still remain.

The new taxes were intended to slow demand for consumer electronics goods, and thus *save foreign exchange* by reducing imported components, as well as raising fresh revenue through duties on so-called luxury items.

In a further measure to save foreign exchange, the government in March imposed tighter import controls on colour TV picture tubes, personal computer peripherals, plastics components, and video and audio tape deck mechanisms.

It has told three companies licensed to manufacture VCRs that they must cost recover the foreign exchange cost of imports through exporting finished products.

The effect of these measures had been to cause dismay within the electronics industry because the slump in sales was badly damaging the components industry which India has been seeking to build up.

However, restrictions on imported components, which in any case are liable to an 80 per cent duty, remain in force.

The government's backing-down came as new figures showed the electronics industry registered 33.5 per cent growth in 1988 over the previous year.

US backs Venezuela loan

VENEZUELA has obtained a US Eximbank guarantee on a $103.7m loan for work on a new hydro-electric complex, Joe Mann reports from Caracas.

CVG, a regional development agency owned by the Venezuelan government, has obtained the loan to finance part of the construction of the complex on the Caroni river.

The 15-year loan, carrying a fixed interest rate of 9.89 per cent, was granted by the Private Export Funding Corp of the US. It will also cover imported equipment costs.

The hydro-electric project, called Macagua II, will have 11 generating units and a generating capacity of 2,540 MW when completed. It is being built for Edelca, a CVG subsidiary that runs the country's largest hydro-electric complex, the Guri dam.

UK group in Zimbabwe venture

By Charles Batchelor

A BRITISH-based investment group, African Permanent Investment Corporation Holdings (APIC), plans to provide up to $10m (£5.9m) venture *capital for new start-ups and* expanding small businesses in Zimbabwe.

APIC's first project will be a joint venture with the local subsidiary of an international construction group and with the state-backed Urban Development Corporation to build low-cost housing and factories. The consortium plans to build 6,000 houses a year initially, and expects to employ 200 people.

The announcement of APIC's investment plans comes a week after President Robert Mugabe's independence day speech which contained measures to ease administrative controls on investors.

APIC plans to provide some of the funding in US dollars to allow local businessmen to import equipment and raw materials without the need for a foreign exchange allocation.

APIC has been set up by UK Venture Capital, an unlisted company owned by a number of wealthy British, American and Swedish businessmen.

UK Venture Capital has paid-up capital of £750,000 and substantial funds to invest, according to Mr Martin Nicholls, APIC's chief executive. It owns 34 per cent of APIC with 66 per cent held by Occidental Holdings, a private company which will manage APIC's Zimbabwean investments.

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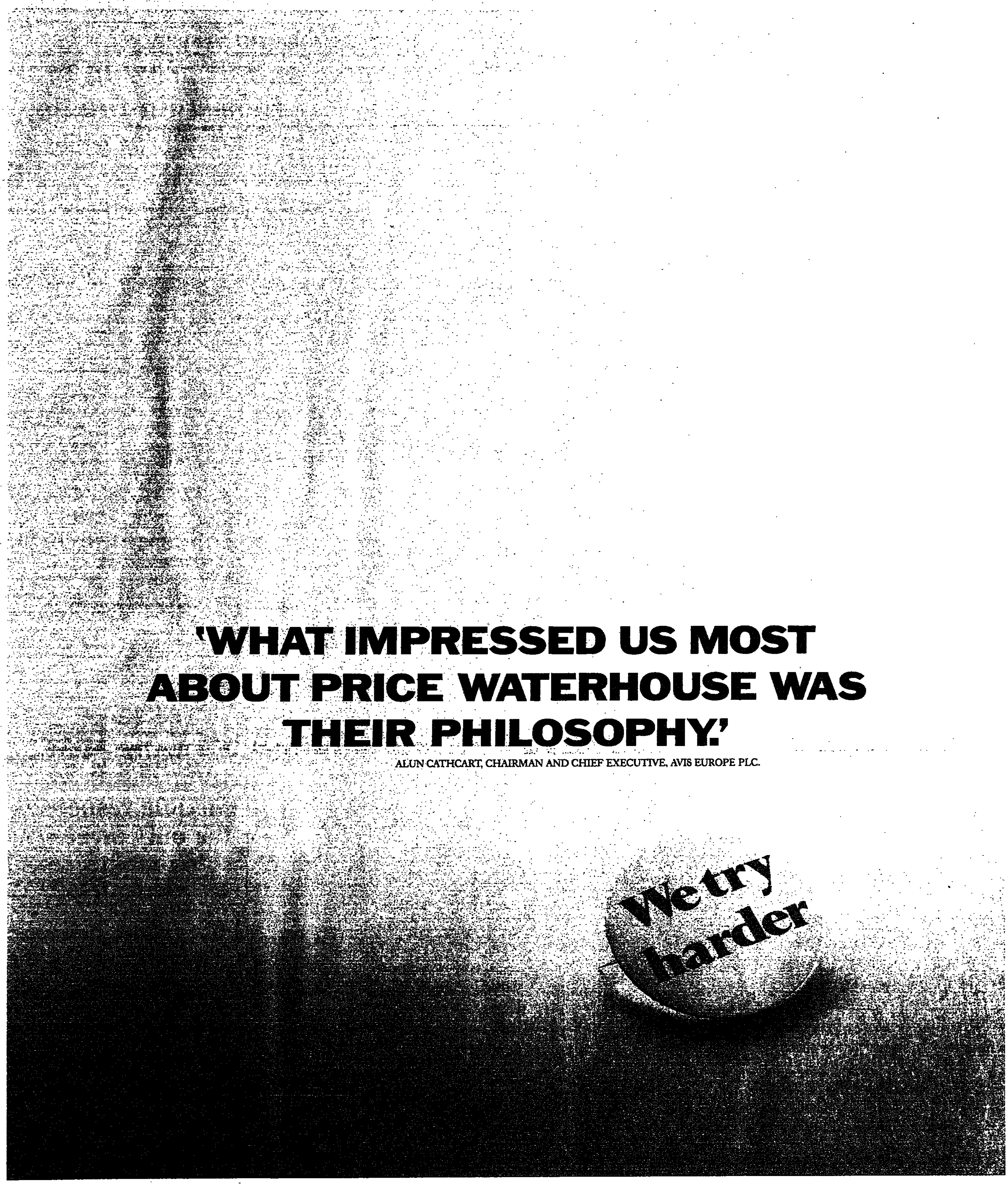

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Gilts transfer 'was to conceal Clowes deficit'

By Raymond Hughes, Law Courts Correspondent

MORE than £16m invested in the Gibraltar arm of Mr Peter Clowes' fund management empire was transferred to the UK arm to conceal "a significant deficit" in the UK funds from Trade Department inspectors, it was alleged in the High Court yesterday.

Miss Elizabeth Gloster, barrister, for the liquidators of the Gibraltar-based Barlow Clowes International, said that between December 1987, and February 1988, gilts (government bonds) costing £16,240,653, bought with BCI investors' funds, had been "introduced" into Barlow Clowes Gilt Managers. In the latest of a series of court hearings in England and Gibraltar to try to resolve the rival claims of the various groups of investors to whatever can be salvaged from the collapse of Barlow Clowes, the High Court is being asked to say whether the proceeds of the sale of the £16.2m of gilts should go to those who invested in the Gibraltar funds.

The BCI liquidators are also seeking an order for repayment to them by BCGM of £4.4m of the £16.2m.

The £4.4m is the proceeds of sale of stock purchased by BCGM with BCI funds which, unlike the bulk of the £16.2m, were not intermingled with BCGM funds.

Some investors in the UK funds have received an interim payment of 75p in the pound and others 25p in the pound.

Miss Gloster told Mr Justice Peter Gibson yesterday that "at present there is little prospect of the investors in BCI recovering anything like 75p in the pound."

She said that when receivers went into BCI last June the records showed that about £140m was owed to investors. Only about £1.8m of gilts had been found.

Subsequent investigations had shown that about £88m of BCI money had been lent – including £60m to Mr Clowes and entities connected with him.

A further £20m had been lent to Mr Guy Cramer, an associate of Mr Clowes and entities connected with him, and more than £2m to Dr Peter Naylor who, with Mr Clowes, had been a director of BCGM and BCI.

The hearing continues today.

Setback for advocates of full-scale defence review

By David White, Defence Correspondent

ADVOCATES of a full-scale defence review in the UK, calling into question the military role the country can afford to play,received a clear rebuff in the Defence White Paper presentedto Parliament yesterday.

The document claims that the three year financial deal negotiated by the Ministry of Defence with the Treasury last year ensures "proper funding" to sustain current programmes.

This is despite a fall of about 0.7 per cent in real terms in the defence budget for the financial year just started, set at £20.14bn.

Increased allocations for the following two years, raising expediture to more than £22bn in 1991-91, are expected to provide real growth after inflation.

Mr George Younger, the Defence Secretary, arguing the case for maintaining "firm defences" in spite of the easing in East-West relations, said UK spending was among the highest in Nato, in both absolute and proportional terms.

The White Paper warned, however, that decisions would still have to be made between priorities. The equipment procurement budget, set at a barely changed level of £8.26bn, takes up 41 per cent of the total, the lowest proportion since the early 1980s. Mr Younger indicated that this would mean putting back some programmes for enhancing military equipment, but would not be drawn into suggesting which projects might be at stake.

The Ministry now had "ample resources for all our main tasks and main priorities to be met," he told a press conference.

In new equipment, the White Paper disclosed that more Sea Harrier jump jets would be ordered for the Navy. The next batch of Type 23 anti-submarine frigates has not been specified. The Ministry last week invited tenders for up to four, worth up to £500m, but officials said the order, due by the end of the year, might involve two, three or four new vessels. This is the same position it took last year, when it finally ordered three. Officials reiterated the Government's pledge to maintain the fleet of destroyers and frigates at "about 50."

Also due by the end of the year is a decision on a stand-off nuclear missile for the Tornado bomber. Mr Younger came close to confirming that this would be the US SRAM-2. The alternative, a joint development of the French ASMP, did not appear to be suitable and would not be ready soon enough, he said. But he hoped it would still be possible to "keep in touch" with the French on future projects.

Meanwhile, competition for the Army's £1bn-plus new tank order, was still open, he said. Vickers, competing against General Dynamics of the US and Krauss-Maffei of West Germany, has until September next year to complete a Government-funded development for its Challenger II tank.

White Paper figures show that the proportion of contracts priced by competition dropped last year in value terms from 39 per cent to 30 per cent. Mr Younger ascribed this to the build-up of contracts with the VSEL shipyard for the £9bn Trident nuclear-armed submarine programme.

New UK defence export contracts are put at about £3.5bn for 1988, similar to the previous year and securing the number three position among the world's military exporters.

The date of the Defence White Paper was understood to have been brought forward at the last minute in order to avoid a clash on Thursday with the celebrations being held to mark the 10th anniversary of Mrs Margaret Thatcher's tenure as Prime Minister.

DEFENCE WHITE PAPER

Budget will grow in real terms to sustain funding

Extracts from yesterday's Defence White Paper:

The armed forces: Britain will keep garrisons in the Falkland Islands, Hong Kong, Belize, Brunei and the sovereign base areas of Cyprus.

Force levels in the Falklands are unchanged but are regularly reviewed . . . We will be responsible for the defence and security of Hong Kong until 1997; we will consult the Hong Kong government over all decisions on the phased withdrawal of the garrison as 1997 approaches.

In a routine adjustment of force levels, 3 Raiding Squadron Royal Marines and two of the five Hong Kong patrol craft were withdrawn in 1988 . . .

The Royal Navy's Armilla Patrol has been in the Gulf and Indian Ocean area since 1980, providing reassurance and protection for British merchant shipping. From September 1987 until March this year, it was augmented by mine countermeasures vessels. While the threat to merchant ships was at its greatest, the patrol accompanied 1,026 transits of British merchant ships through the Strait of Hormuz; no vessel was ever attacked in its company.

After the ceasefire between Iran and Iraq and the return of confidence among merchant shipping, we judged that the threat was low enough for Armilla to revert to independent patrols from November 1 1988. It will stay in the area as long as there is a job to do.

Procurement: The budget for equipment for the Services in 1989-90 is £8,258m. This is 41 per cent of the total defence budget and £1,024m more in real terms than was spent in 1978-79. About 75 per cent of the equipment budget is spent directly in this country; another 15 per cent benefits British industry working on collaborative projects. The remaining 10 per cent is spent abroad . . .

Our competitive approach is cutting costs, but we continue to press for taut contracts. We aim for terms that give contractors the greatest possible incentive to perform efficiently and deliver on time and to cost. We prefer firm price contracts (where the contract price is what the contractor is paid); but where this is not possible we negotiate what we term fixed-price contracts, in which an allowance for inflation is made.

Where the work needed is less clear, we use target cost or other incentive arrangements within an overall maximum price. Under such contracts, efficient contractors can get better returns, but those who are inefficient have to fund part or all of any cost overrun themselves.

By adopting a commercial approach to procurement and exposing the defence industry to market forces, we have encouraged an enterprising industrial base that actively seeks new ideas and efficiency in the use of resources. The rising competitiveness of the British defence industry has played an important part in its recent export successes.

Resources and management: The defence budget for 1989-90 is £20,143m. This is £928m more than the original Supply Estimates provision for 1988-89, and £175m more than was planned for 1989-90 in the 1988 Public Expenditure White Paper.

The planned provision for 1990-91 is, at £21,190m, £610m more than in the 1988 Public Expenditure White Paper. Provision for 1991-92 has been set at £22,100m.

The further cash rises . . . mean that, on current inflation forecasts, the defence budget will grow in real terms between 1988-89 estimated outturn and 1991-92. The cash increases over previous plans are the biggest for any three-year period since the first cash planning survey in 1981, Falklands additions aside.

They do not imply any change in defence policy. Their purpose is to sustain programmes with proper funding and to enable the United Kingdom to continue to play its full part as one of the leading members of Nato . . .

The resulting budgetary plans provide a firm framework for the next three years; this brings valuable certainty and confidence to our forward planning. And it disposes of talk of the need for a defence review.

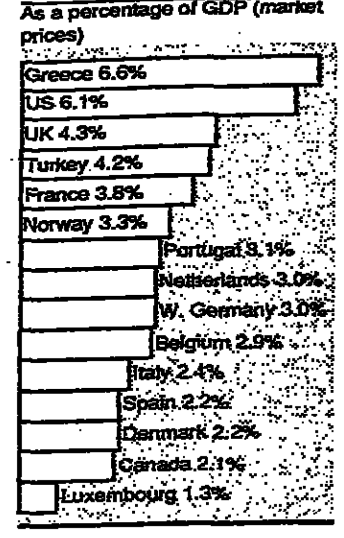
The new management strategy: Budgets held by accountable individual managers will be extended to cover all the department's operating costs

Those who actually manage activity will also manage the associated resources, and there will be a shift from control of resource inputs towards output-oriented management . . .

There will be some 20 "top-level budgets" held by the commanders-in-chief and the officers and officials in charge of major management areas of the department . . . Where practicable and sensible, these top-Level budgets will be broken down into progressively lower-level budgets, each again held by one person;

NATO defence expenditure 1988

As a percentage of GDP (market prices)



Flexible response 'the only strategy which makes sense'

Key points from the legislative document's statement on nuclear deterrence:

THE CENTRAL AIM of the Alliance's defence effort is clear and simple: to remove the option of war permanently from the East/West scene. Nuclear weapons have made this aim wholly compelling, and for that very reason wholly attainable. Their virtually infinite destructive power has made nonsense of the idea of war as a contest of strength. That result is irreversible, since it rests on scientific knowledge that cannot be forgotten. The right course is not to attempt vainly to dissolve it, but to build around it a war-prevention system that, without surrendering the great stability we have now, will become progressively less costly and less abrasive.

Much that Mr Gorbachev has said encourages us to hope that he may see the central security need increasingly as we do. There seems ground for optimism that, both in the extensive arms-control agenda and elsewhere, he will be ready to work with us towards a less tense and costly security system.

The 1987 INF (Intermediate-range Nuclear Forces) Treaty, achieved as growing Soviet realism converged with Nato steadfastness, was a major advance in easing tension and building confidence. Its content was specific and exact – the strictly-verified abolition of a defined class of missiles. Nothing in it implies an agreement to abandon operational roles or strategies, or leave a hole in the middle of Nato's ability to respond flexibly.

Flexible response is the only strategic concept that makes sense for a defensive alliance in the nuclear age. Military victory in the classical sense is not feasible; the use of force at any level, but especially the nuclear level, can have no other aim than to deny an aggressor swift success and to show him that he has underrated the defender's resolve and must, for his own survival, back off. The circumstances in which this task arose could vary greatly; the defence must therefore have a wide range of options, enabling it to react to any military situation promptly and with the least force needed for the basic political aim of ending the war.

For flexible response, Nato has to maintain an effective nuclear armoury at several levels. Strategic weapons alone, for all their awesome power, could not be morally tolerable, practically feasible or politically credible for every scenario. Our needs at non-strategic levels will continue to evolve in line with arms-control commitments, with new technology and with deeper understanding on both sides of the minimum imperatives of mutually assured security. Nato has made major cuts in its non-strategic armoury; the number of warheads in Europe is now 35 per cent less than in 1979, and will fall further by mid-1991.

Cuts in the armoury can go further yet, and the Alliance is working out the possibilities.

Nuclear weapons are not mere symbols; like other weapons, they can deter only by evident capability for effective use. Modern technology offers major improvements in range, accuracy and target-acquisition, and these can enable us to cut weapon numbers. But there is no prudent basis for making the cuts without the improvements.

The UK will continue . . . to maintain the independent non-strategic contribution without which the value of our strategic force . . . would be seriously incomplete. Our non-strategic contribution has since the 1960s rested on WE177 free-fall weapons, usable from various aircraft and in various roles. For technical and operational reasons these cannot all be relied upon beyond the 1990s. As with the rest of the Western armoury, numbers and types may not have to be kept at present levels; that needs further study. But, under the strategy of flexible response, the basic need for some non-strategic weapons will remain, and procurement lead-times mean that initial decisions on modernisation – particularly on the choice of an air-launched missile to which warhead work at Aldermaston will be geared – must be taken before long.

Statement on the Defence Estimates 1989; HMSO; £6.

UK NEWS

Britain to bring water law in line with EC rules

By Michael Cassell, Political Correspondent

THE Government is expected to table tomorrow an amendment to its water privatisation legislation which will end a disagreement with the European Commission that threatened to delay the industry's sale later this year.

After talks with Brussels, Britain has agreed to amend the Water Bill to allay EC fears that the Government would exempt privatised water companies from prosecution for failing to meet Community water purity standards.

A key clause in the Bill, which yesterday began its committee stage in the House of Lords, was intended to protect companies from possible prosecution as long as they adhered to agreed timetables for complying with EC standards.

Ministers were concerned that, without such a provision, investors could be deterred from taking up shares in the water companies when they are floated. The target date for the sale is November.

The Commission, however, was adamant that the Government had no authority to grant temporary exemptions from EC law and there was a threat that the legislation could be challenged in the European Court of Justice.

The amendment, reflecting the compromise reached in Brussels, will mean that companies can be prosecuted only for failing to meet purity standards if they cannot show they have adequate investment programmes in hand or that they are pursuing them as fast as is reasonably possible.

Brussels has pointed out that Britain should have implemented the new standards by 1985, but ministers have emphasised that compliance in some areas is proving difficult and will be costly.

Government officials were yesterday expressing satisfaction with the outcome of the Brussels talks. They claimed it had never been the intention to allow polluters to remain immune from prosecution and that a form of words had now been reached with which both London and Brussels could live.

Announcing the agreement, Mr Nicholas Ridley, the Environment Secretary, also said the Government had been able to resolve a Commission ruling that the UK does not have legislation in place to enact the EC Drinking Water Directive.

British ministers have given an assurance that regulations incorporating the directive, which sets the standards of quality for 44 different substances that may be contained in drinking water, will be made under the Bill and laid before Parliament after the Bill has been passed into law. As a result, the EC has withdrawn its complaint.

In the Lords, the Government announced that restrictions are to be placed on the sale by water companies of conservation areas and land having "amenity value."

The expected concession, which follows widespread complaints from amenity groups, was announced by Lord Caithness, the Environment Minister, who said the Government recognised fears that areas of outstanding environmental importance should be protected. He did not give any details of the planned restrictions.

Andrew Hill adds: The 10 water authorities yesterday urged peers to reject an amendment to the Water Bill aimed at privatising the authorities along the lines of the existing statutory water companies, rather than as public limited companies.

Statutory water companies have to pass surplus profits through to consumers in the form of lower water charges.

The amendment – proposed by Lord Nugent, Lord Rippon and Lord Halsbury – would also deprive the 29 existing statutory companies of the chance to convert to public limited company status, and remove the director general of water services, who would regulate charges in the industry after privatisation.

The House of Lords committee on the Water Bill, which began sitting yesterday, will probably consider the amendment tomorrow.

Radical work changes sought on Underground

By Fiona Thompson, Labour Staff

LONDON Underground yesterday proposed sweeping changes in work practices for its 2,457 tube train drivers and 1,250 guards in return for a 10.5 per cent pay rise.

The package includes the abolition of fixed-length shifts, the end to strict job demarcation and the introduction of new recruitment and promotion arrangements.

The move follows the rejection a fortnight ago by the National Union of Railwaymen and the drivers' union, Aslef, of a 7 per cent pay offer.

The proposals were put to union representatives by London Underground officials at a day-long meeting yesterday called to discuss both the annual pay round and the threatened indefinite strike on the Underground from next Monday, May 8.

Both unions last week voted to strike over the proposed introduction on a pilot basis later this month of Action Stations, proposed changes in staffing and promotion arrangements which will mainly affect station-based booking and platform staff.

The meeting was adjourned last night without any decision being reached.

In response to the changes announced yesterday, the NUR said management had "thrown existing conditions out the window." Train crew were being asked to accept fundamental changes in the way they work.

Steel maker plans £200m capital investments

By Nick Garnett

UNITED Engineering Steels, Britain's second biggest steel maker, announced yesterday a £200m capital investment programme over the next four years.

The expenditure will cover many of the company's plants, which are centred on Rotherham and Sheffield in south Yorkshire, in the Midlands of England, Wales and Scotland.

The company is one of Europe's biggest suppliers of special engineering steels used in sectors such as the motor and domestic appliance industries.

UES reported yesterday a 44 per cent increase in pre-tax profits, up from £36.7m in the 1987 calendar year to £52.7m. Sales rose 19 per cent from £577m to £686m.

Liquid steel output was up from 2.07m tonnes to 2.3m tonnes and deliveries of finished products increased from 1.6m tonnes to 1.8m tonnes.

The company is 61 per cent owned by British Steel and 39 per cent by GKN but is run as a 50-50 joint venture by the two shareholders.

Mr John Pennington, the company's chief executive said yesterday that the intention was to float UES on the stock exchange.

UES made an 11 per cent return on net assets last year. Mr Pennington said the target was 20 per cent and UES still had "a fair amount to do to get it towards that figure."

UES has a stake in a die forging operation in Spain. Mr Ian Donald, the company's chairman, said UES would participate in further such deals. More than 20 per cent of UES output is sold in continental Europe.

Listings monopoly may end

By Raymond Snoddy

THE Government is considering ending the present monopoly over television listings held by the BBC and Radio Times and the ITV companies through their publishing subsidiary the TV Times.

In the age of satellite and cable television some ministers believe it is no longer right that the broadcasting organisation should have an exclusive monopoly over publishing details of television programme schedules.

At the moment anyone who wants to have advance details of programme schedules has to buy two weekly magazines and a further separate magazine is then needed for details of satellite channels.

Although the question of listings magazines was not addressed in the Government's White Paper on broadcasting published in November, it is believed that officials have now been asked to look at ways of ending the monopoly.

End to chambers rule, training changes to pre-empt Government

Barristers to overhaul practices

By Robert Rice

THE BAR, the professional body of Britain's barristers, is to undertake the most radical changes in its structure and working practices this century as part of a package of measures to persuade the Government that its plans for reform of the legal profession are unnecessary.

The changes outlined yesterday in the Bar's final response to the green papers (policy documents) on the reform of the profession include an end to the rule that barristers must practise in chambers, as their office system is known, and the introduction of a system of Bar libraries similar to those in Scotland and Ireland.

Pupil barristers, or trainees, will receive guaranteed minimum incomes funded by the whole Bar and all remaining practical barriers which make it hard for solicitors to transfer to the Bar will be removed.

Barristers at present hold a monopoly on the right of audience in the higher British courts, but proposals to alter the necessary qualifications for higher court advocacy are contained in the Government's green paper.

Mr Desmond Fennell, chairman of the Bar, said the steps were being taken in response to the impetus given by the green papers to increase further the already strong competition at the Bar.

They should be seen as part of a continuing process of reform which the Bar began five years ago, he said.

The Bar had already relaxed its advertising rules, and introduced a new vocational training course, an improved pupillage (training) system and compulsory continuing education.

Under a library system barristers would work from the libraries of the Inns of Court, the four institutions which constitute the barristers' governing bodies and to one of which all barristers must belong. The libraries will be served by a small central administration dealing with their diaries and fees. The overheads would be small.

Barristers could join the library system with or without links with existing chambers, at whatever stage they came into the profession.

The Bar also wants the law changed to allow barristers to enter into contracts for their fees and other matters.

Mr Fennell said the Bar hoped to establish a pilot scheme, based on the libraries of Inner and Middle Temple, two of the Inns of Court, within 18 months. If it was successful, steps would be taken to establish similar systems in the other two Inns of Court, Gray's Inn and Lincoln's Inn, and at the main court centres around the country.

He denied that the idea was likely to lead to a two class system of barristers with those who could not get a seat in chambers forming a second class Bar practising from the libraries. The system would appeal to different people for a number of reasons and would be especially useful for barristers returning to practise after a period of absence and solicitors transferring to the Bar in mid-career.

Taken together with the proposal to introduce special three month pupillages tailored to the requirements of solicitors wanting to transfer to the Bar, the measures were designed to ensure that it would no longer be possible for anyone to say that they could not go to the Bar because they could not get a seat, or place, in chambers.

The changes would also render unnecessary the Government's proposals to give solicitors wider rights of audience in the higher courts unnecessary.

"The effect of these changes will be that any solicitor who wishes can come to the Bar and specialise as an advocate at the Bar. The Bar welcomes the extra competition," Mr Fennell said.

By contrast, the approach adopted by the Government's green papers would be damaging to the strength of the Bar and the solicitors' profession, the Bar says.

They would "reduce competition and choice, lower quality, make delays worse and increase cost".

With the help of Coopers and Lybrand, the accountants, the Bar has carried out a financial evaluation of the consequences of extending rights of audience for solicitors in the Crown Court alone.

The evaluation, based on statistics from the Lord Chancellor's Department, the Government arm responsible for the legal system, shows that on two conservative bases, the increase in the costs of legal aid for defendants in the Crown Court would be between £9.8m and £17.7m a year. The actual increase in cost to the public purse would be likely to be much larger than this, the Bar warns.

The Bar does welcome some aspects of the Government's plans, particularly the establishment of a legal ombudsman to monitor standards, and the promotion of solicitor circuit judges to the High Court Bench.

Overall, however, it maintains that the Government's proposals are fundamentally flawed.

British Telecom 'can use network to transmit television'

By Hugo Dixon

BRITISH Telecom will eventually be free to use its network to transmit television pictures, Sir Bryan Carsberg, director general of the Office of Telecommunications, the industry watchdog, said yesterday.

Such a move could revolutionise the UK's communications infrastructure, leading to the introduction of new services such as picture telephones, high-definition television and colour high-speed facsimile.

BT cannot at present use its network to distribute TV because of fears that it would build a dominant position in television to add to its near monopoly in telecommunications.

However, in what represents a considerable softening of Oftel's policy, Sir Bryan said this ban was "a temporary restriction. A matter of timing. I don't think anybody believes BT will be subject to that restriction indefinitely."

A final decision to remove the ban would have to be made by Lord Young, Secretary of State for Trade and Industry, but Sir Bryan's views are likely to carry considerable weight with the Government.

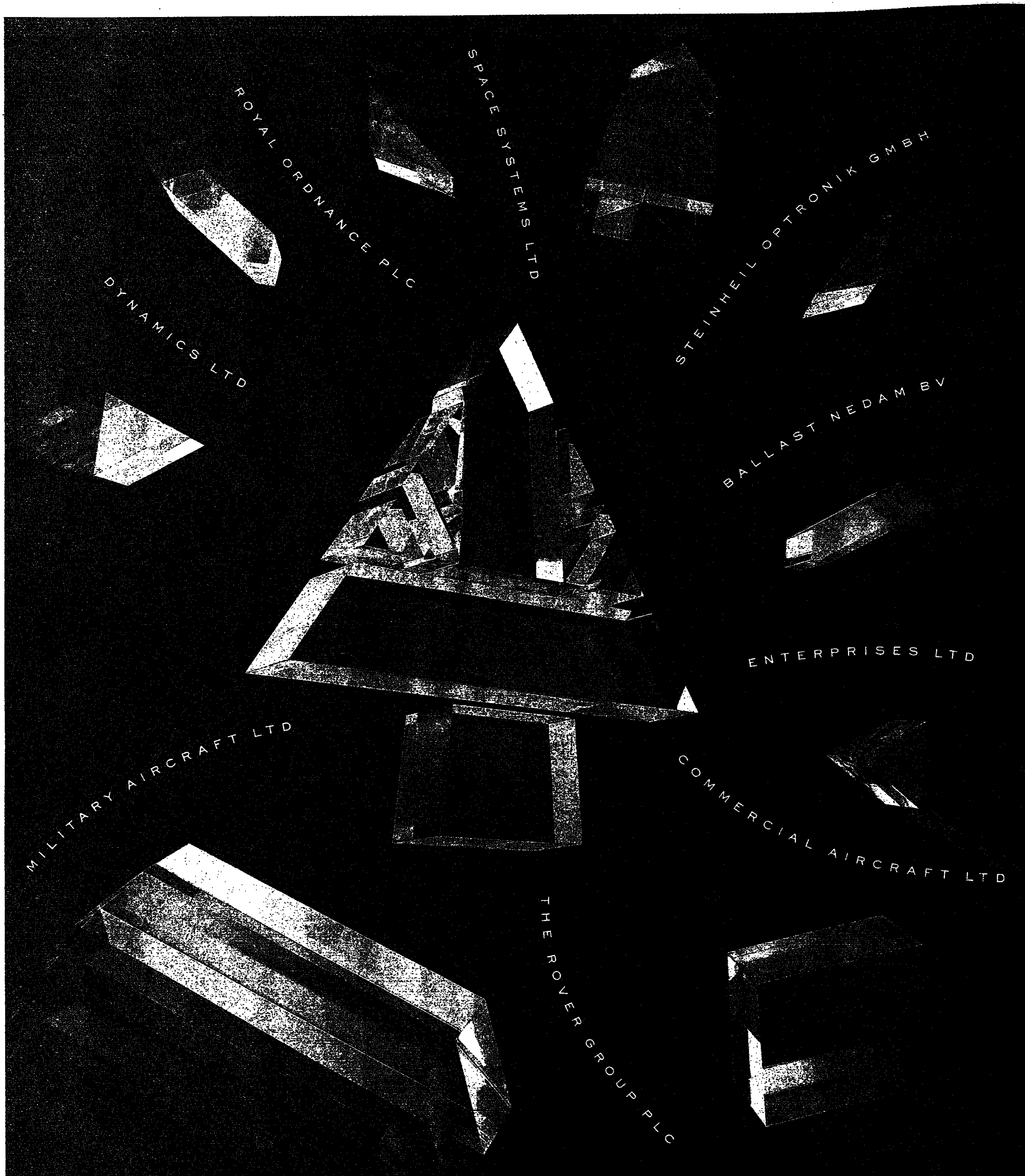
The Oftel chief said the appropriate time to give BT this freedom would probably be in 1990 when the Government is due to embark on a major review of telecommunications policy.

Sir Bryan made his comments at a conference organised by the National Communications Union on the future of UK's communications infrastructure.

Mr Alan Rudge, BT technology director, said he was delighted that the principle of letting BT send TV pictures along its network had been accepted. But he said the company needed a firm date for the removal of the ban so it could start planning.

Other speakers at the conference, including Mr Bryan Gould, opposition Labour Party spokesman on trade and industry, called for the rapid introduction of an advanced communications network using optical fibres.

A removal of the TV ban on BT would almost certainly hasten such a development. BT has previously said it would have no incentive to spend the sums needed to construct such a network unless it was free to recoup costs by distributing TV.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SPACE SYSTEMS LTD
STEINHEIL OPTRONIK GMBH
DYNAMICS LTD
BALLAST NEDAM BV
ENTERPRISES LTD
MILITARY AIRCRAFT LTD
COMMERCIAL AIRCRAFT LTD
THE ROVER GROUP PLC

FT LAW REPORTS

Shipowner not protected by the contract on package limitation

THE CHANDA
Queen's Bench Division: Commercial Court: April 24 1989

A SHIPOWNER is unprotected by contractual limitation of his liability per package of damaged cargo if he fails in his obligation to stow and lash the cargo so as to avoid risk of damage, as intended under the contract.

Mr Justice Hirst so held when giving judgment for the plaintiffs, Wibau Maschinenfabrik Hartman SA and Al-Owaidah Establishment for Contracting, sellers and buyers respectively of plant carried on the Chanda, on a subrogated claim by insurers for total loss against the defendant shipowners, Mackinnon Mackenzie & Co.

HIS LORDSHIP said that the claim related to the control cabin of an asphalt drying and mixing plant carried on the Chanda from Bremen to Jedda.

The plant was several storeys high and was transported in packages. The control cabin was a single storey structure containing electronic and computerised equipment comprising some 90 per cent of its value.

The cargo was carried pursuant to a bill of lading which constituted the contract of carriage with the shipowners. It was loaded at Bremen on December 24 1981. The control cabin was stowed on deck No 1 hatch, which was the hatch nearest the bow.

During the voyage Chanda entered the Bay of Biscay. It encountered very rough weather. The lashings on the deck cargo on No 1 hold were broken, and the cargo shifted on two separate occasions. The waves rose so high that water was shipped on board.

When the vessel reached Jedda the control cabin was found to be badly damaged internally and externally. A survey revealed heavy denting and scoring and broken windows, and the electronic and computerised equipment had been corroded by sea water.

The sellers supplied a replacement. Their insurers paid their claim in full. The present action, on a subrogated basis, was for SR 477,763, calculated on a replacement price plus a 25 per cent mark up for carrying costs and freight.

Under clause 10 of the bill of lading heavy lift and container items could be carried on deck if two boxes entitled "Heavy lift option" and "Container option" were ticked. If so it was provided that the "carriers' liability for damage to such cargo shall not exceed the minimum liability required under the applicable laws."

Neither box was ticked.

By clause paramount the Hague Rules, then current, were incorporated into the bill of lading contract.

The original Hague Rules, as incorporated into the West German Commercial Code, provided by paragraph 608(1) that the carrier should not be liable for damages which arose from perils of the sea.

Paragraph 608(3) provided that "exemption from liability does not obtain if . . . occurrence of the contingency is the result of a circumstance for which the carrier is responsible."

Paragraph 660 limited liability to DM 1,250 for each package.

The question was whether the admittedly unauthorised carriage of the control cabin on deck disentitled the shipowners from relying on any exceptions or limitations in the Hague Rules. The main contest focussed on the applicability of the package limitation. If the shipowners were right the maximum recoverable would be limited to DM 1,250.

The expert evidence was that the cargo should not have been stowed on deck. It was stowed in the worst possible position close to the bow where pitching and pounding were most severe. The weather was such as should have been expected by the master. Had the cargo been carried under deck and been properly stowed and secured, it would not have suffered damage.

On the evidence it was found that the whole trouble stemmed from the initial decision, for which the shipowners were responsible, to carry delicate equipment on deck rather than below, and in a position where it was subjected to maximum exposure to the elements.

The damage was caused by a combination of direct pounding by the waves, and buffeting against other cargo. The damage suffered by the electronic and computerised equipment was a direct consequence of the ingress of sea water. A contributory cause of the damage was inadequate lashing.

It followed that the perils of the sea exception was not available to the shipowners, since paragraph 608(3) expressly excluded any exemptions from liability where it was proved that the occurrence was "the result of a circumstance for which the carrier was responsible."

The shipowners were responsible on two counts – stowing on deck in a position of maximum exposure when the proper mode was to stow under deck, and inadequate lashing.

The main point was whether the shipowners were entitled to rely on the package limitation in paragraph 660.

In *Dixon (1887) 12 App Cas 11* Lord Halsbury LC said that a jettison exception "cannot avail shipowners who broke their contract in stowing . . . on deck and thereby directly caused the loss to the merchants."

In *Evans v Merzario [1976] 2 Lloyd's Rep 165* a container fell overboard in heavy weather. Lord Denning MR said "If a carrier made a promise that goods would be shipped under deck, and if contrary to that promise they were carried on deck and there was a loss, the carrier could not rely on the limitation clause."

In *the Antares [1987]1 Lloyd's Rep 424* it was held that shipowners were not barred from relying on the one-year time bar in the Hague-Visby Rules, notwithstanding their fundamental breach of contract in stowing cargo above deck.

Lord Justice Lloyd said the doctrine that a breach of contract might be so fundamental as to displace the exceptions clauses altogether no longer existed.

He said "The death knell sounded" in *Suisse Atlantique [1966] 1 Lloyd's Rep 529* where Lord Wilberforce said the the question whether an exclusion clause applied to fundamental breach was "a matter of construction of the contract."

Mr Flaux for the plaintiffs submitted that *Dixon* was clear authority that unauthorised carriage on deck disentitled a shipowner from relying on exceptions in the bill of lading which were only intended to protect him if he carried out the contract in the way he contracted to do it.

Mr Macdonald for the shipowners contended that the *Dixon* doctrine had been swept away, and that the question was now one of pure construction of the contract.

Neither *Dixon* nor *Evans* rested on the discredited fundamental breach rule. They rested on a principle of construction that clauses which were clearly intended to protect the shipowner did not apply if he was in breach.

As Lord Wilberforce said in *Suisse Atlantique*, the rule was quite clearly based on contractual intention.

The package limitation clause fell fairly and squarely within that category.

Otherwise the main purpose of the shipowner's obligation to stow below deck would be seriously undermined.

There was nothing in the *Antares* which conflicted with that view. The exception at issue there (the one-year limitation clause) not only had statutory force, but was also not of a nature which undermined the purpose of the shipowners' obligation to stow below deck.

The package limitation clause, being repugnant to and inconsistent with the obligation to stow below deck, was inapplicable.

If that was wrong and the proper approach was a matter of pure construction within the four walls of the bill of lading, deck transportation was not permissible because neither the "Heavy lift option" box nor the "Container option" box was ticked. The package limitation therefore did not apply.

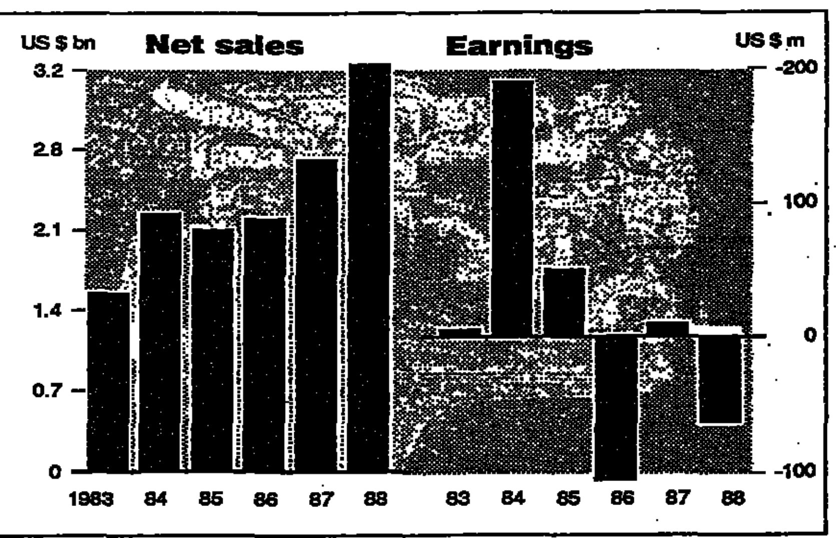
Judgment for the plaintiffs.

For the plaintiffs: Julian Flaux (Clyde & Co)

For the shipowners: Charles Macdonald (Swinnerton Ashley-Claydon & Co)

Rachel Davies
Barrister

MANAGEMENT




Henry B. Schacht

Why Cummins sacrificed profits for market share

Nick Garnett on the US engine maker's rout of the Japanese

What is the cost of defending your market against foreign competitors? When do you trade off profits against sales? How do you rationalise factories and rip up outdated production lines while trying to meet booming demand for the products you make? Cummins Engine, the world's largest independent diesel engine manufacturer, is a case study of the benefits, pitfalls and difficulties encountered in facing up to these issues.

Unlike many other US heavy manufacturers in the early 1980s, Cummins decided it would not throw in the towel. It would instead defend its patch against the Japanese and anyone else.

Over the past six years or so it has spent $850m on developing new engines. It has cut its manufacturing workforce by a third, reduced its manufacturing floorspace by a quarter and installed costly advanced machining equipment. The number of engines it makes has tripled, productivity per man has jumped 50 per cent while the cost of making engines has slid by 20 per cent.

After this long, grinding programme, the upside of Cummins' performance balance sheet reads like this: Sales doubled from $1.6bn to $3.3bn over the six years. Market shares in historical product areas defended, and the Japanese threat extinguished. Shares in new product markets expanded greatly. Research and development running at $180m a year.

The downside is this. A loss last year of $63m following a feeble profit the previous year of $14m. Debt ratio has climbed from 28 per cent to over 43 per cent which rises to over 50 per cent when off-balance sheet items are included. In the meantime, Hanson Trust, the acquisitive UK industrial conglomerate has taken a 10 per cent stake in the Indiana-based company.

Cummins' critics say it has spent so long trying to sort itself out that it has missed the opportunities of a soaring market which is bound to flatten out or even turn down sooner rather than later.

Henry Schacht, Cummins' studious 54-year-old chairman and chief executive, remains committed to all the principles driving the company since the turn of the decade.

"The decisions to re-invest, to be world competitive in costs and on prices were fundamentally correct and will stand us in good stead. Without them we would have been managing a declining, shrinking business. I don't think that's interesting. I don't think that works."

Cummins made a profit of $19m in the first quarter of this year and is promising a larger return in the second quarter, the first vindication of the company's policy, managers say. "We feel we are coming through the period of massive restructuring and we ought to see the benefits now with a resurgence of profits," Schacht says. "We are building the business over the longer time frame."

Schacht makes a comparison with Detroit Diesel, once a big player in the heavy duty US truck diesel engine market in which Cummins still controls more than 50 per cent of sales. "Look at Detroit Diesel. They had 45 per cent of the US heavy duty market back in the late 1960s, early 1970s. Now it's 2 per cent and the company has been sold off."

But what about a comparison with Caterpillar, the world's biggest construction machinery maker? Once criticised as a dinosaur has-been of the US rust belt, Cat has been making money hand over fist. Its earnings were $616m last year and, in the first quarter of this year, were up 20 per cent at $141m.

The comparison is somewhat unfair in that prices of construction machinery have risen steeply compared with the depressed prices of diesel engines.

Nevertheless, Cat has generally maintained its market shares against its big Japanese rival, Komatsu, and has taken full benefit from price rises, even driving them up as against Cummins' policy of holding them down.

"I don't want to make any criticism of Caterpillar," says Schacht, who became Cummins' chief executive in 1973. "I think it is a fantastically run company. But Cat makes an end product and it has elected to use changes in the value of the yen to raise prices. One result is that Komatsu is now resident in the US and the Japanese are in effect the second biggest producer in the US.

"That's the risk you take. We don't face any Japanese engine builder in the US. But our policy is to get world level production costs and stay at world prices. It is not to hold up an umbrella for the Japanese to get in."

Cummins has been widely admired for tackling a broad range of problems with which it entered the 1980s. Its sales rested almost entirely on a huge 14-litre engine — with a 10-litre under development — while demand was moving fast towards smaller units. Many of its factories remained untouched from the 1960s. Its production managers were largely ignorant of Japanese-style workflow and inventory control.

Since then the company has introduced new 4-, 6- and 8-cylinder engines, allowing it into markets for lighter duty truck and industrial applications. It has shut three main facilities and a handful of smaller ones, taking out 1m sq foot of floorspace in the process. The manufacturing workforce in its engine business has been cut from 17,500 in 1979 to 11,000 in 1988.

Engine shipments have rocketed from 80,000 in 1982 to 217,000 in 1988. During the past year unit output soared 35 per cent. From a faltering start in 1982-83, unit sales of the new small engines were 40,000 in 1987, 75,500 last year and an estimated 100,000 for this year.

In this long process of change the well-chronicled events of 1984 interceded. In a move famous within the US engineering industry, Cummins cut the prices of its engine by 20 to 40 per cent, throwing its new B and C series engines massively into loss.

This remains a very controversial decision. Schacht, a graduate of both Yale and Harvard and who has worked at Cummins for 27 years, concedes there were some cold feet among the company's "collegial" style management about the move. But he says: "We ran out of time. We had to do it." The Japanese, engine makers, says Schact, were trying to get a foothold in the North American loose engine market. Navistar (then International Harvester) was trying out Komatsu engines in its trucks. Ford was running Mitsubishi engines.

Critics of Cummins' price policy say the Japanese would not have got anywhere because, they say, that US truck owners would not have bought engines from companies which had no servicing track record in North America. In any case, Cummins dropped its prices too far, the critics argue.

Schacht says this is not the case. "The truck makers were saying to me: 'Henry, we are going to go with this unless you do something'."

The yen helped to give the Japanese a cost advantage of at least 30 per cent but Cummins was also way behind in shopfloor efficiency. Its inventory turnover was running at 3.5 times per year as against seven in a typical Japanese engine company. "We had a hundred days more inventory than they did," says Schacht.

Whatever the rights and wrongs of slashing prices, Cummins wreaked havoc in the market and subsequently froze the prices of almost all its engines until the end of 1987, a pretty phenomenal manoeuvre. The 10 litre, for example, was stuck at about $1,600 per unit during that period.

That price freeze to freeze out the competition obviously hit Cummins' financial performance. It introduced price increases of 3 to 4 per cent in late 1987 and 5 per cent last year.

Aside from that, Cummins seems to have made heavy weather of dismantling and rebuilding its shopfloors. This is never an easy task, particularly when you are trying to increase volume. The company has so far shifted about 60 production lines, half the total of its engine business. Were there ways of doing it more quickly and better? "Oh, I'm sure there were," says Schacht. But in a big rebuilding programme, you only get one chance.

The company was forced into building big inventory mountains of certain components to cover for the periods when the machines that made them were being moved or replaced. These banks of machined components were far larger than the company expected. Despite some recent improvements, the 40 days' worth of inventories last year was about the same as 1983, though their value has rocketed from just over $200m worth to more than $450m. Overtime became a substantial cost drain, running at above $9m a quarter through much of the past two years.

Cummins says some of these difficulties have been overcome. Stock turnover is now running at about 5.6 times per year, a substantial improvement. Overtime was running at more like $8m a quarter at the end of 1988. "We are beginning to run our lines with the efficiency we hoped for," says Schacht.

The company has certainly hit one of its main targets, protecting its traditional sphere of influence and moving into new smaller power ranges. It has held its market share of the heavy US truck market at 53 to 55 per cent. It is also producing per day about 600 of its B and C series engines. International sales have soared from less than $450m six years ago to over $1.2bn last year.

While spending $180m a year on R&D, partly to cover the effects of new emission regulations on the US, it is still committing about $175 a year on its capital budget for new plant and re-tooling.

To cover these costs, though, Cummins has flogged off a lot of plant and land and is leasing it back. Its debt ratio is high. "A little too high for a cyclical business," says Schacht. On the financial front, it has clearly failed over the past three years to meet its goal of a 5 per cent return on sales and 15 per cent return on equity.

Schacht says it is now time to share the gain. "In the early 1990s we have to show the benefits. Unless the economy comes unglued then we ought to start seeing, now that long term investment can pay off."

The only fly in the ointment, says the company, is the possibility of a very sharp and prolonged downturn in demand for diesels. This might not happen. "If it did happen, of course," says Schacht, "we would be affected just like any other company."

US and UK give different priorities to ethical issues

By Michael Skapinker

Are American managers more ethical than their British counterparts? They are certainly keener on drawing up codes of ethics. American academics also seem to spend more of their time thinking *about* ethical issues than British ones do.

In the US, there are more than 500 courses in business ethics. Departments of philosophy and theology at colleges and universities teach business ethics, as do most of the country's business schools.

Bodo Schlegelmilch, a lecturer at the University of Edinburgh and a visiting professor at the University of California at Berkeley, says that in America over 50 books have been written on the subject. There are several scholarly journals devoted to the issue, including the Journal of Business Ethics and the Business and Professional Ethics Journal.

In the UK, on the other hand, only a handful of articles has been written on the subject. And far fewer British companies have drawn up codes of ethics than is the case in the United States. Last year, Schlegelmilch sent questionnaires to the 200 largest British companies, asking whether they had codes of ethics. Of the 74 which replied, 42 per cent said they did. Similar research carried out in the US in 1986 found that 75 per cent of respondents had written ethical codes.

There are signs of growing interest in business ethics in the UK, however. In 1987, the Institute of Business Ethics was founded in London and the London Business School began to offer its Masters students a course in business ethics. The Business Ethics Research Centre has been established at King's College, London.

Writing in the European Management Journal, Schlegelmilch says, too, that the rate at which British companies are introducing codes of ethics appears to be increasing. Most of the UK companies which had codes of ethics introduced them after 1984.

He says, however, that British and American codes of ethics do not always address the same issues. Research in the US showed that the most common subject covered by codes of ethics was the relationship between the company and the government. This included the right of employees to hold public office.

In Britain, issues of this sort were addressed in only 18 per cent of the codes Schlegelmilch studied. All of the British codes, on the other hand, dealt with the relationship between the company and its employees. Only 53 per cent of the American codes did so.

For the British companies, the most important areas after employee relations were the community and the environment, which were covered in 65 per cent of the codes. Only 20 per cent of the American companies dealt with environmental affairs. Thirty-five per cent dealt with civic and community affairs.

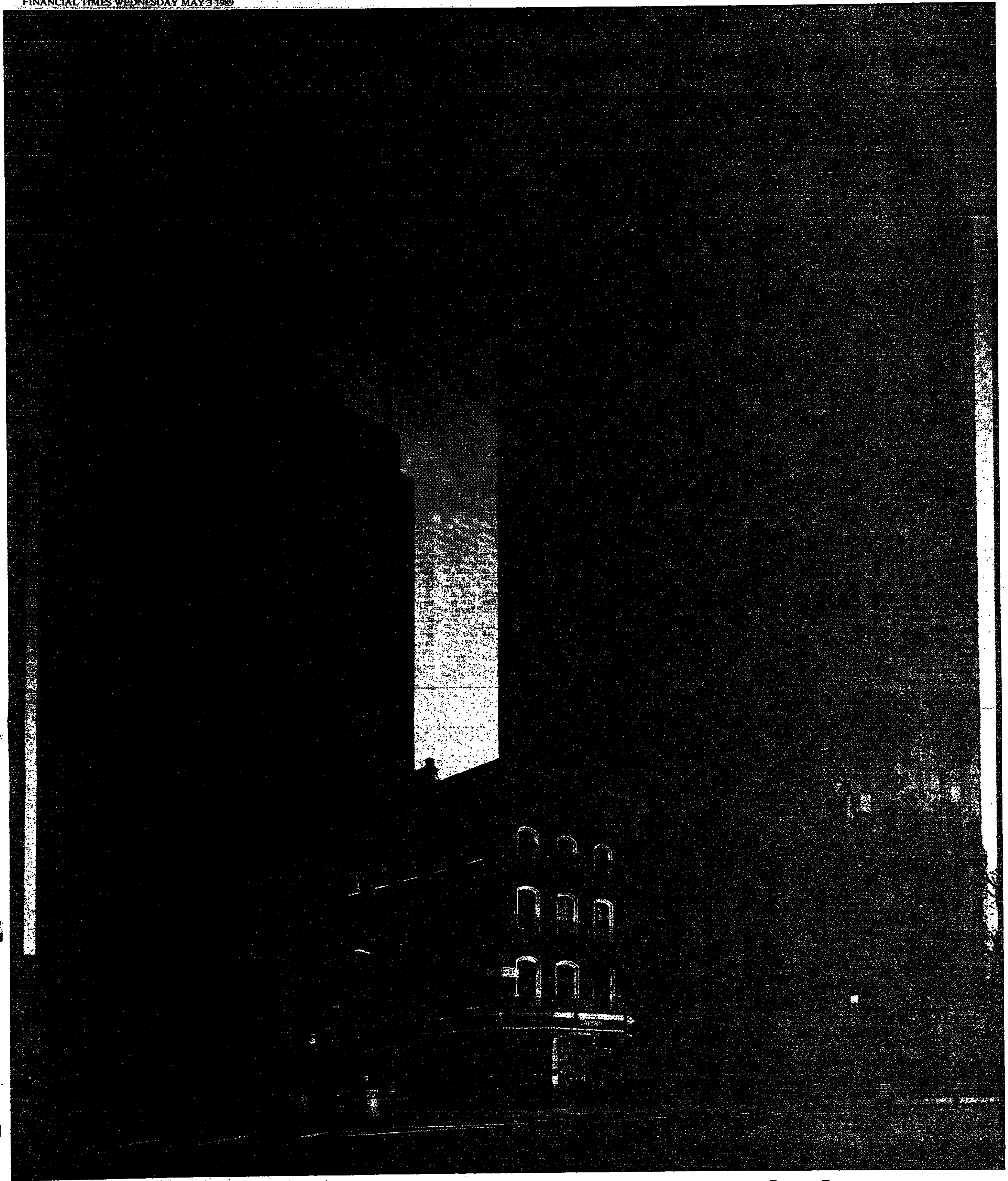
The community sections of the British codes included the companies' attitudes towards donations to charities and the unemployed. Boots' code of ethics described the work of the Boots Charitable Trust, set up to "exercise an independent judgment in supporting a large number of charities in a wide range of activities."

American companies, on the other hand, appeared to devote more attention to ensuring that their codes of ethics had some effect. As many as 44 per cent of the American companies with codes carried out audits of their record on equal opportunities, safety at work and the protection of the environment. Only 13 per cent of the British companies with codes said they did so.

The British companies were also less likely than the Americans to run training programmes on business ethics.

Schlegelmilch concedes that the issue which still has to be addressed is whether having codes of ethics makes companies behave more ethically. He points out that among the American business schools which teach business ethics are some whose alumni have been convicted of criminal practices.

European Management Journal, Volume 7 Number 1.



TECHNOLOGY

The competitive advantage of a pristine frame of mind

Ian Rodger explores the link between the scrupulous cleanliness of Japanese workers and successful semiconductor production

Cleanliness is all important when it comes to manufacturing semiconductors and the Japanese are well known for their meticulous ways.

But it was nevertheless startling to read in a recent magazine article a theory that the current superiority of Japanese producers over their US and European competitors in volume chip production is in part due to workers being infused with traditional Japanese Shinto purification rites.

"The traditional Japanese mind, and the time-honoured everyday practices based on that mind, have begun to be recognised as major factors in precision manufacturing," Shigeo Oyama of the Research and Analysis Center of the Asahi Shimbun newspaper wrote in the Japan Quarterly. He went on to suggest that this was becoming an increasingly important competitive advantage as the miniaturisation of chip circuit designs reached sub-micron dimensions.

Oyama's argument was built largely on the experience of Mitsubishi Electric (Melco) in dealing with contamination problems in chip manufacture. Melco has acquired a considerable reputation in clean room technology, largely based on the work of Takaaki Fukumoto, manager of the contamination control technology group at the company's semiconductor research and development laboratory at Osaka.

Fukumoto, or Dr Clean as he is known, does not share Oyama's view of the relationship between Japanese religious traditions and precision manufacturing, but his and Melco's experience provide other explanations for Japanese success in this area.

Fukumoto achieved his fame in 1983 when Melco built a semiconductor plant on the coast of Japan's Shikoku island. The Saijo plant was – and still is – extraordinary among chip plants for two reasons, both related to contamination control.

First, it was built on reclaimed land at the edge of the sea. Until then, chip makers had kept their plants away from the sea to lessen the risk of airborne salt contamination. However, Fukumoto tackled the problem head on, working out a series of measures to eliminate the contamination.

For example, the top soil where the plant was to be built was removed to a depth of 50 cm and replaced with "pure" soil transported by lorry from inland. The building itself was frequently washed during construction and special care was taken to make tight joints. An elaborate filtration system was designed to extract the salt from air entering the factory.

Melco officials turn shy when asked why they did not simply build the plant on a less hostile, inland site. The decision seems to have had something to do with the company's relations with Shikoku Electric Power. The utility buys a lot of Melco electrical generating equipment, one official explained. The Melco factory is located in an industrial estate adjacent to a Shikoku generating station.

The second extraordinary feature of the Saijo plant is that production is almost totally automated. Fukumoto says that in conventional chip plants, lint from workers' clothes, dandruff from their hair and dust stirred up from the floor as people cross it accounts for over half of the contamination. Thus, he reasoned that the problem would be substantially reduced if the people were removed.

Of course, automation has not totally eliminated them; the number of workers in the clean rooms is about 50 per cent lower than in a conventional factory. Also, the robots and automated guided vehicles that fill the factory cause their own types of contamination. However, Kiyoshi Hosomi, manager of the Saijo plant, says that machine-created dirt is at least predictable, and the company has been able to redesign much of the machinery to minimise the problem.

Hosomi also says that automation has helped to improve chip quality in other ways. For example, production machines are constantly monitored by computers and so faults can be detected and corrected more quickly than in a conventional plant.

He claims that even excluding the improved cleanliness, the automation has proved cost effective. "When you start a semiconductor plant, it takes a long time to build up the yield to a satisfactory level. The speed of build-up was much faster here, mainly because the human factors were smaller," he says.

He claims that the line which is producing 256k D-Ram (dynamic random access memory) chips, is now getting "very close to 100 per cent" yields, compared with a Japanese industry average of about 70 per cent. The yield on a second line, which began producing 1 megabit (Mbit) D-Rams in 1986, is a commercial secret, but Hosomi says it is better than the Japanese average.

Despite the high level of automation, both Fukumoto and Hosomi emphasise the continuing importance of human cleanliness. Fukumoto says that almost all of the contamination in the Saijo clean rooms now comes from process equipment and process reaction residues, but the proportions could change dramatically if human discipline slipped.

Also, as the industry develops ever more densely packed chips – 4 Mbit D-Rams are now being introduced – cleanliness standards will have to rise. At Saijo, the 256k line is at the so-called level 100, which means that fewer than 100 particles of dust larger than 0.3 microns can be found over an area of one square foot. The 1 Mbit line is at level 10.

Workers must shower, refrain from scratching and walk in a way that does not stir up dust

As at other chip plants, workers at Saijo must change their clothes before entering the clean room. They must also take showers, refrain from scratching themselves and are even taught to walk in a way that does not stir up dust. If tools are dropped, they are told not to pick them up for fear of getting dirt from the tool on their hands.

A small group of workers – all female – has been trained as inspectors to make sure that procedures are followed. They have the power to halt production if they feel that something is amiss. Fukumoto says Melco chose women for this role because it thought they would be less shy than men about bullying fellow workers.

Fukumoto and Hosomi agree that none of these practices is peculiarly Japanese or beyond the capability of European or US chip plant engineers and workers to achieve. However, they believe that the emphasis they place on worker cleanliness has been an important factor in their superior production record.

They say that the scale of chip making has reached a level where it is no longer possible to control factors by sight or touch. Thus, it is important to find ways to convince workers that cleanliness makes a difference. Otherwise, they will become bored with the process and take short cuts that, to them, do not seem to make any difference.

"We use a lot of microscopic equipment to show our people. We try to keep the rest of the factory clean so they will realise that we think cleanliness is important," Hosomi says.

Fukumoto is more outspoken: "American engineers should work harder on improving mass production and publish fewer scientific papers."

A legal way to tape a medley of party music

The recording industry would do anything to prevent us stealing in the privacy of our own homes – by copying records and cassettes on to blank tapes. Not only is it illegal, but it loses the industry about 100m album sales a year.

Not surprisingly, the industry views this infringement of copyright as a global scourge resulting in huge hidden losses. As the prime sufferer, it is on the watch for ways to prevent it.

The British Phonographic Industry (BPI) – formed to deal with legal and copyright problems – says that the UK Government has failed to attack the problem at source.

The BPI was disappointed that the 1988 Copyright Act failed to impose a levy on blank tape. And it has accused the Government of a "laissez-faire attitude" in the face of foreign commercial interest. Every blank tape sold in the UK is of foreign origin, over half of them from Japan.

But as more and more albums are copied on to unlevied blank tape, a UK record company is funding the development of a machine intended as an antidote to the epidemic of home taping. The invention, which offers a legal alternative, is called Personics, and Thorn EMI is the largest shareholder in the company of the same name.

Charles Garvin, founder of California-based Personics, says that the system "answers the consumers' desire to purchase exactly the songs they want, while combating the record industry's annual loss of billions of dollars to home taping. We see ourselves as a technological complement to what the record industry is trying to do legislatively."

Personics offers the customer a "personalised" cassette, which means he or she will not have to spend hours fiddling around at home making his or her own tapes.

In order to create a party or gift tape, the customer goes to a "participating store". Having perused the Personics' Music Makers monthly catalogue of 4,000 titles supplied by US labels, the customer makes his selection.

He fills out an order slip with his choice of songs – totalling 90 minutes or about 25 tracks – and hands it to the assistant, who programmes the Personics computer. The machine records the chosen tracks from discs on to a blank cassette at high speed and prints out the label. The customer pays between 50 cents and $1 for each track.

The machine is essentially a jukebox, the size of a small fridge, with optical disk storage. The jukebox is loaded with Personics CDs, each of which contains between 50 and 75 tracks. The material is stored in digital form, using a process based on a Dolby (adaptive delta modulation) system designed for satellite broadcasting. It is one of the few technological licences Dolby has granted.

"Adapting Dolby's technology to Personics' storage and retrieval system was the challenge met and conquered by us," says Tom Sharples, engineering vice president. A Nakamichi recorder and a laser printer are at the heart of the process, but the rest of the Silicon Valley/Japanese technology, which took five years to develop, is a trade secret.

The system also provides a way of working out royalty payments, which makes it popular with record companies (six of the US industry's biggest concerns supply music to the Personics system). It does this by keeping a record on microchip of the tracks chosen by the customer.

When these details are added to a list of song snatches that the customer listened to while making his selection, it becomes potent marketing information. Companies can analyse the data before deciding, for example, whether to re-release an old hit or which album track to release as a single.

Personics was launched in December in California and rapidly built up to 5 per cent of sales in retail stores. The system is due to be launched in Canada this autumn and Thorn EMI is keen to see it in UK stores, although it is *not* clear when this will happen.

The British reaction has been muted so far. John Waller, head of the product department of Phonogram records, says Personics is "quite outrageous. It does not break any new ground or build up an audience for an artist. People know what they like and they like what they know."

The BPI, however, is prepared to welcome anything which increases industry control over the way in which music is distributed. "Personics is a live industry topic right now," says the BPI's Peter Scaping, "but in 10 years' time we won't need it. There will be satellites whizzing around controlling the whole of recorded music and people will only be able to listen on subscription."

Meanwhile, the scourge of pirate taping is being exacerbated by technological advances. The recordable compact disc has been developed in Japan by Taiyo Yuden, the electronic components and magnetic tape manufacturer. But it will not be available to home users until the question of copyright protection is resolved.

This follows hard on the heels of digital audio tape (Dat), which allows perfect copying of CDs on to equally high quality tape. The introduction of Dat is also on pause until arguments about high prices and pirating are solved.

Rachel Johnson

ARTS

John Graham-Hall and Patricia Kern

Albert Herring

COVENT GARDEN

Peter Hall staged Britten's comic opera for Glyndebourne in 1985 and '86, to universal admiration. The production has now transferred to the far larger Royal Opera, miraculously well: who could have been confident that an intimate folk-comedy with an orchestra of fifteen players, and designed for the little Sussex house, would survive that? The "miracle" has been achieved by professional ingenuity, not pure luck: Hall has expanded the scenes of village life most judiciously, and John Gunter his lovingly naturalistic sets, so as to fill the new stage without sacrificing the sense of homely scale.

Most of the original principals have returned to the show, and the pungent (and sonorous) playing that the conductor Roger Norrington draws from his modest band never covers up their lines – a vital point with so much verbal humour, not to mention the ripe Suffolk accents sported here by the lower orders (dialect coach Peter Tuddenham). *The florid rôle of Lady Billows* tends to defeat articulation, but Pauline Tinsley projects more of it than usual; better still, she takes the lady at her own formidable evaluation, rather than patronising her from the outside as a ludicrous Gorgon. The other newcomer since Glyndebourne is Kirsten James, whose sexy Nancy is not only a fair match for Jeffrey Black's chunky yeoman Sid, but evinces plenty of sympathetic intelligence too.

In fact Hall has permitted no cartoon-caricatures, though the text proposes little more than that for the civic élite, at least. Derek Hammond-Stroud's gentle, silly vicar neither puffs nor bumbles, nor does Alexander Oliver's self-satisfied Mayor preen, and Richard Van Allan's police superintendent cuts a stately figure. Lady B.'s housekeeper, Felicity Palmer, mimics her employer's censoriousness with a gloomy relish of her own; as Albert's Mum (and half his size), Patricia Kern presents a creature so honestly rounded that we almost forget what a suffocating monster she is.

All this is much more fun, and does far kinder justice to Britten's opera, than routine guying. I particularly admired Elizabeth Gale's anxious headmistress, sung with grace, who somehow contrives to be delicately absurd while doing nothing ridiculous at all. The irreplaceable linchpin of the action is nevertheless John Graham-Hall's Albert, much-put-upon but invincibly winsome: one of those rare incarnations when a singer-actor of exactly the right years, voice, mien and wit hits off a character to perfection, and you realise that it is simply not going to be better done by anybody.

One hopes that this young tenor will not find it a heavy cross to bear. It may be salutary for him to observe that his Albert is equalled in all the same respects by Paolo di Zenzo's tiny, horrid schoolboy, himself expertly abetted by Maria Bovino and Bernadette Lord as the older girls. Around them all, Hall tucks in as many snapshots of village life as possible: shoppers, gossips, urchins and period bicycles infest the High Street, and the fête at which Albert is crowned virgin King of the May groans with verisimilitude to the last pink cake and bloated pasty.

Pace Donald Mitchell's programme-essay, persuasively partisan, one might still think Britten's score more reliably clever than sensitive; or at any rate, that its lyrical, humane moments are placed amid long stretches of fairly spidery invention. But it is hard to imagine it more flatteringly complemented than by Hall's taste for unregenerate 19th-century stage-realism – still the most treasured British vein, after all: through it he infuses a saving blush into a piece that can easily seem snobbish and brittle. Any production of this order which the Royal Opera can beg, borrow or steal is pure gain on every count.

David Murray

The Flight of the Firebird

BARBICAN HALL

Under the above title, Michael Tilson Thomas and the London Symphony are honouring the Russian "Five" and their descendants in four concerts. The first, on Sunday, had Peter Ustinov (jolly and a bit distracted) setting the scene by reading what Rimsky-Korsakov had to say in his memoirs about each of his four colleagues and his student Glazunov. We heard a piece by each of those, and also Prokofiev's aggressively Futurist "Scythian" Suite. More from the Five will be heard in the rest of the series, with Stravinsky's complete *Firebird* at the end.

Within this enticing plan there are several fascinating rediscoveries, but also some compromises. By memoir-time, Rimsky had become something of a disaffected outsider. We heard more of his strictures on the anti-academic amateurism of the original Five than of their own pugnacious ideals. In the whole series only the early overture *Russia* represents Balakirev, the sea-green incorruptible who instigated the movement, with practical musical knowledge (innocent of theory!) far beyond his friends'. We ought to be hearing at least – and at long last – his marvellous *Tamara*, if not indeed one of his symphonies.

In fact Prokofiev's scarifyingly loud Suite, from a failed early ballet, was the main work on Sunday. Coming in the wake of Stravinsky's *Rite*, it is infinitely cruder: a thing to hear once and shudder at, while noting how many ideas from it reappear, better-dressed, in later Prokofiev from *The Fiery Angel* to the Fifth Symphony. The LSO attacked it with due fury, and supplied graceful accompaniments for the violinist Dmitry Sitkovetsky (idiomatic and dashing) in twee Cui and Glazunov's Concerto, and for Thomas Randle's sincere tenor in an appealing Borodin song.

The Act 4 interlude from Mussorgsky's *Khovanshchina* had much higher musical gravity; he is well presented in later programmes, too. Both *Russia* and Rimsky's tone-poem *Sadko* sounded as if they could have done with another run-through; some incisive punch was missing, though it was interesting to compare Balakirev's pristine ear for instrumental colour with Rimsky's conscious artfulness.

David Murray

TELEVISION

How Lucy set the ball rolling

Lucille Ball, who died last Thursday, was not only the greatest female clown of the 20th century but a key figure, arguably *the* key figure, in the development of global television. *I Love Lucy* proved that if you got the formula right in the US and produced a programme which appealed to all parts of that country's multi-ethnic immigrant society, then you could appeal with equal success to the whole world.

The original *I Love Lucy* shows ran from 1951 to 1957, but they have been re-running ever since, as have *The Lucy Show* series, made between 1962 and 1968. They have been dubbed or sub-titled into every major language and exported to some 80 countries. When the Sky Channel initiated the new television technology of direct satellite broadcasting in Britain earlier this year, *The Lucy Show* was screened every weekday morning at 9 o'clock.

The phrase "female clown" is chosen carefully. Lucille Ball was neither an outstanding actress, nor the greatest comedienne; her talent was for a form of slapstick which was universally understood. Born in 1911, she worked first as a model, then spent nearly 20 years in Hollywood, starting as a Goldwyn girl, and played parts in dozens of films from *Roman Scandals* with Eddie Cantor in 1933 to *Fancy Pants* with Bob Hope in 1950.

Two significant events occurred for her during the 1940s. While working on *Dance Girl, Dance* she met the Cuban singer/drummer Desi Arnaz whom she married; and during this period, when she had spare time, she often spent it with director Eddie Sedgwick and Buster Keaton, the greatest male clown of the 20th century. Although she never (so far as I can establish) made a film with Keaton, she did work up knockabout routines with him and it is impossible to over-estimate the importance of that in the later success of her television shows.

Some form of slapstick formed the central element in many of them: custard pies, vats of grapes, but more often than not a routine involving comic costume, including the classic clown outfit. It was surely this above all which gave her shows their international popularity: just as Chaplin's pathos cut across language barriers, so did Lucy's clowning.

There had, of course, been half-hour television comedies before *I Love Lucy*, notably *The George Burns And Gracie Allen Show* which CBS launched in October 1950. But just as it was those who perfected the electric light bulb and the gramophone rather than the initial inventors who really mattered, so Lucille Ball and Desi Arnaz deserve the credit for creating the paradigm of the situation comedy.

In the late 1940s Lucille Ball worked regularly on CBS Radio (radio being much more important than television at that time) opposite Richard Denning in the series *My Favourite Husband*. Her character was the scatty wife who was forever embarrassing her husband or getting him into trouble – just as Gracie Allen did with George.

Early in 1951 Arnaz and Ball used their own money to make a pilot for a television sitcom which followed the same pattern and was utterly pre-feminist. "Lucy Ricardo" was an American Scot (maiden name MacGillicuddy) married to the Cuban "Ricky Ricardo," played of course by Arnaz. He was the breadwinner with a successful career as a band leader; she was a scatterbrained, emotional housewife who wanted to break into show business.

Often Lucy tried to use Ricky's job or his business contacts as a gateway to stardom. In one of the most memorable episodes she insinuated herself onto Ricky's show to do a commercial for a cough mixture which turned out to be lethally alcoholic, and Lucille Ball played a truly wonderful drunk.

Ricky was the strong, level-headed member of the partnership and Lucy, as with her radio character, was much given to bursting into a loud "Waaa-aah" of tears when upset or outflanked. The only means she had of getting her own way was to manipulate the men around her.

But this she, and her next door neighbour Ethel Mertz (Vivian Vance), did with consistent success. "Feminine wiles" lay at the heart of the *Lucy* shows. Ricky, and Ethel's husband Fred Mertz (William Frawley), were portrayed as the long suffering butts of female silliness, always obliged to tolerate their women's flightiness and stupidity: in one episode Lucy was jammed against the wall of the kitchen by a loaf into which she had put vast quantities of yeast.

Yet in real life Desilu, the company formed by Lucille Ball and Desi Arnaz, became hugely successful, so much so that their method of producing programmes eventually replaced the previous standard procedures and changed the geography of the industry – though they certainly did not set out with that intention.

They made the pilot for *I Love Lucy* on the west coast of the US because that is where they were, and they shot it on three movie cameras because movies were what they knew best and three cameras gave plenty of overlap for editing. CBS, whose headquarters, like the other networks, was in New York, liked the pilot and asked for a series, assuming that, as with other programmes, it would be performed in front of a New York audience, photographed by electronic television cameras, and transmitted live.

However, Ball and Arnaz insisted that they wanted to stay where they were and work with the three-camera set up. CBS took the grumpy attitude that if they were going to operate in such an unconventional manner they would be paid less, and in response Desilu asked if they could keep any repeat fees the series happened to earn.

History hints that CBS, who were then concerned primarily with sponsors rather than independent producers, agreed to this almost without a thought, and Desilu acquired what we would now call "one hundred per cent residuals" thus laying the foundation for the multi-million dollar fortune that the *Lucy* shows were to earn from repeats in the ensuing decades.

The crucial factor was the movie camera system. Those of us interested in the early days of television are perpetually frustrated in our attempts to view the pioneer series because they were beamed out live into the ether and lost forever. At best you may sometimes find a filmed record of the original electronic image.

But because of Desilu's belt-and-braces approach, every *Lucy* show was recorded on good quality film stock, from which innumerable new copies could be struck, as they were, once the popularity of the series became apparent. Its unprecedented success was proved dramatically in January 1953 when *I Love Lucy* won an audience of 44 million and the inaugural address of a new president (Eisenhower) managed 29 million.

Lucille Ball: got the formula right

Thanks to the Desilu system, the centre of American television production moved from the east coast to the west, where it remains to this day, with programme production now largely in the hands of independent companies. The *Lucy* shows were not only re-broadcast on the American network but shown repeatedly by independent stations. In 1989, with American viewers turning more and more to cable, there are few areas of the US where you cannot see Lucy at least once a day.

Though Phil Silvers was to prove with his *Bilko* series, which started in 1955, that he was an even greater master of small screen comedy (borrowing some bits of technique from Lucille Ball, especially those involving the eyes in close-up) no series, not even *Dallas*, has ever overtaken *Lucy's* record of export success. As a result, Lucille Ball's face has almost certainly been seen more often by more people in more countries than anybody else's in the history of the world.

Christopher Dunkley

BBC Symphony Orchestra

MAIDA VALE STUDIOS

A BBC Symphony Orchestra Invitation Concert, or more factually, a public recording session, on Friday featured new work by three young British composers who are moderately well-known in London's contemporary musical circles. Oliver Knussen conducted two pieces by Robert Keeley, one by Benedict Mason and one by Julian Yu – his *Great Ornamented Fuga Canonica*, a curiously impressive transformation according to principles of Chinese melodic decoration of a Bach original.

Keeley was represented by his Orchestral Studies Nos. 1 and 2 – short pieces conceived by the composer as the first in what will be a set of five or six "analogous with the orchestral pieces of Schoenberg, Webern and (especially) Berg." They came across as disciplined, quite accomplished exercises in an orchestral language closer indeed to Berg than to the other two Viennese, but closer still, perhaps, to the mentality of Elliott Carter.

No. 1, *Puissance d'Or* (1988) was full of bright and sinuous imitative figures, and I must say that I felt my misreading of the title as Debussy's *Poissons d'Or* seemed to be borne out by the music. The other study, *Les guirlandes qui se rompent*, was both ampler and more focussed of texture, containing within its brief span lively concertante elements for piano and violin. Mason's work lasted about quarter of an hour and was striking not only for the immense assurance of its orchestration but for the peculiarity of its expressive project. The title is (amazingly) *Lighthouses of England and Wales* and the piece offers itself as "a guided tour around ... the main English and Welsh lighthouses." The scheme sounds lunatic and is actually a musical delight. Mason convincingly renders the fog horn and tolling bell sounds which are a familiar part of our coastal experience, and does so not only by literal reproduction but by a more complex infusion of that sound material into the orchestral texture as a whole. How far he succeeds in his specifically taxonomical endeavour, I am unable to say, but he has certainly produced a fascinating interplay of sonorities. His piece has something of the formal fluidity and characteristic sound of Debussy's *La Mer*, not to mention his *Jeux*; so he has placed himself comfortably in front of criticism. Knussen, required at times to use an 180 degree rotation method of conducting, secured what was surely an excellent performance.

Paul Driver

April in Paris

THE PLACE/QUEEN ELIZABETH HALL

I love France, I love dance, but ah, how seldom do I love the two in combination. The mystery of why this should be vexed me often last month, when much French dance was on view in London. Three weeks of contemporary dance at The Place and at the Queen Elizabeth Hall – *April in Paris*, they called it – plus Sylvie Guillem at Covent Garden and, at the French Institute, films of Chauviré, Vyroubova and other étoiles.

I had to miss five of the ten modern companies. Of the rest, I was most interested by the films, and I found two of the new-dance companies entertainingly odd. But in general I am as befogged as before about what constitutes serious dancing to the French today.

There were consistent virtues to be observed in the *April in Paris* season, those already known from French ballet. No French dancer looks as if he or she had strayed onto a stage by accident. Most of the dancers are engagingly personable. Costume, even when merely practice dress, is always appealing in cut and colour. Each company gives a clear idea of its idiom early on and sticks to that.

But once you've grasped what the idiom is, what else is there to go on looking for? For me the season had the worst possible launch with Claude Brumachon's *Terane*. This starts with a harsh, gestural duet in harsh, overhead white lighting. Self-punitive moves, repeated and repeated, but with no sense of development. What human contact there is consists solely of aggressive demand. And the work's content never really changes. Machine rhythms, robotic behaviour, throughout.

And yet the alienation and non-communication with which Brumachon has filled this tense and cold stage world aren't really the point. The moves are so delivered, and so accompanied by rock music, that the effect is to whip up excitement. The tone is one long drone, but the dynamics have plenty of Pow! Boom! Crash! Even in slow work each single move comes like a spasm.

My other *April in Paris* experiences were trivial – the work of choreographers I can either damn with faint praise (Josef Nadj, Brigitte Farges) or praise with faint damns (Jean-Francois Duroure, Odile Duboc). Nadj and Farges both exemplify the absurdism that plays so large a part in the French avant garde tradition. The motto for both seems to be "Big Dada Is Watching You." Nadj's *Canard Pékinois* had a broken mirror, a man suspended in a chair high above the stage, a girl kneeling on a chair fixed high on a man's back, men in fox outfits, and some good movement jokes in their encounters.

Farges, in *Enigmes Miniatures et Autres Visions*, used black rectangles of various sizes as frames for parts of the body: profiled heads with square black halos or drolly isolated legs emerging through black walls. These pictorial images were the most memorable and precise factor of the evening. Still, Farges gives her Ballet du Fargistan Company an eclectic vocabulary (2-D, turn-in, turn-out and parallel legwork) to make phrases that have suspense and variety.

The actual dance content of Duboc's evening at the Queen Elizabeth Hall, for all its variety of tempo, was a drab array of sub-Cunningham routines – both stiff and limp, like damp cardboard. Her second, longer, item, *Détails Graphiques*, had some cute extra effects, as when five jazz musicians did bits of movement too, even partnering the five dancers in sudden catches. Duroure's *Maison des Plumes Vertes* had variety of pace, changes of costume and music, ceremony, props, folk elements and much loitering with intent – but zero coherence or force.

Our own dance scene badly needs good models from abroad to relieve its tepidity and to stimulate new creation. There is much French modern dance I have yet to see, and this autumn's Dance Umbrella is expected to bring a lot more of it. What as yet I fail to find in French dance is full-bodied tone in motion.

Alastair Macaulay

ARTS GUIDE

April 28-May 4

THEATRE

London

Fuente Ovejuna (Cottesloe). Wonderful production of Lope de Vega classic by *Cheek By Jowl* director and designer Declan Donnellan and Nick Ormerod. May 3-6 (928 2252).

Hamlet (Olivier). This picturesque Renaissance revival by Richard Eyre for the National Theatre is a disappointment, though Daniel Day-Lewis may improve with experience in the role. Judi Dench is a muted Gertrude, Michael Bryant a superbly busy and dangerous Polonius. May 3-6, 16-18, May 25-June 1 (928 2252).

The Black Prince (Aldwych). Ian McDiarmid gives the performance of a lifetime in Iris Murdoch's distillation of her own Hamlet novel. Witty black farce, vitriolic and entertaining (836 6404).

Ghetto (Olivier). Brilliant National Theatre version of Joshua Sobol's Israeli play about the last days of the Vilna ghetto and its resident theatre company. Moving and shocking. Nicholas Hytner directs, Bob Crowley designs. May 12-15, 23, 24 (928 2252).

King John (The Pit). Deborah Warner's RSC revival reveals a near-masterpiece, hitherto ignored. Worth queuing for, even at the Barbican, May 10,11,26,27-30 (638 8891).

The Vortex (Garrick). Maria Aitken and Rupert Everett in brilliant reappraisal by Philip Prowse of Noel Coward's 1924 study of drug addiction and mother fixation. Mannered, excessive, beautifully costumed. A must for yuppies (379 6107, cc 741 9999).

Aspects of Love (Prince of Wales). Andrew Lloyd Webber's latest is an intimate chamber operetta derived from David Garnett's 1955 novella. Musically interesting and well directed by Trevor Nunn, a cast of unknowns project the right sense of sybaritic insouciance. A probable, but unspectacular, hit (839 5972).

Icecream (Royal Court). Caryl Churchill's new play is a dense 70-minute meditation on a transatlantic misalliance between two Americans and their distant English relatives. An intriguingly murderous exercise in style, directed by Max Stafford-Clark (730 1745).

Ivanov (Strand). Alan Bates and Felicity Kendal lead a new ad hoc classical company in Chekhov's first play, translated by Ronald Harwood, directed by Elijah Moshinsky. Bates interestingly renders the critical suicide a Simon Gray character (836 1660).

New York

Heidi Chronicles (Plymouth). Wendy Wasserstein's award-winning drama covering 20 years in the life of a successful American baby boomer goes from support for Eugene McCarthy's presidential aspirations to electoral ambitions in the 1980s, accompanied by the musical and emotional flavour of the period (239 6200).

Shirley Valentine (Booth). Pauline Collins brings her West End triumph to Broadway in Willy Russell's amusing and touching story of a Liverpool woman's awakening in the Aegean Sea. Simon Callow again directs without smoothing any of the Northern English edges that retain an authentic touch.

Rumours (Broadhurst). Neil Simon's latest comedy is a self-conscious farce, with numerous slamming doors and lots of mugging but hollow humour that misses as often as it hits. Christine Baranski leads an ebullient cast in the inevitable but disappointing hit.

Cats (Winter Garden). Still a sell-out, Trevor Nunn's production of T.S. Eliot's children's poetry set to music is visually startling and choreographically feline (239 6262).

A Chorus Line (Shubert). The longest-running musical in the US has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions (239 6200).

Me and My Girl (Marquis). Even if the plot turns on ironic mimicry of Pygmalion, this is no classic, with forgettable songs and dated leadenness in a stage full of characters. It has nevertheless proved to be a durable Broadway hit (947 0033).

Phantom of the Opera (Majestic). Stuffed with Maria Bjornson's gilded sets, Phantom rocks with Andrew Lloyd Webber's haunting melodies in this mega-transfer from London (239 6200).

Washington

American Juke Box (Ford's). Music from the 1950s and 1960s is performed by a dozen-strong ensemble directed and choreographed by Edward Love. Ends May 28.

Sophisticated Ladies (Kennedy Center Opera House). The first Soviet-American co-production of a Broadway musical features an energetic cast dancing and singing to a Duke Ellington score highlighted by Satin Doll and Take the A Train. Ends May 27 (254 3770).

Chicago

Speed of Darkness (Goodman). The world premiere of Steve Tesich's domestic drama involves the reunion of Vietnam veterans and the havoc it wreaks on a successful South Dakota family. Robert Falls directs. Ends May 20 (443 3800).

Driving Miss Daisy (Briar Street). The touching relationship between a dowager, played in this production by Dorothy Loudon, and her black chauffeur exposes the changes in the South over the past several decades (348 4000).

Steel Magnolias (Royal George). Ann Francis and Marcia Rodd play the leads in this view of southern life from under the dryers in a busy hairdressing establishment (988 9000).

Tokyo

Ryvo (*The Dragon King*) Shimbashi Embujoh Theatre (541 2211). Vulgar but highly enjoyable production (in Japanese and Chinese) in which plot, about a Chinese boy and a Japanese fisherman who join forces to defeat the dragon king, is less important than acrobatics and spectacle. Directed by and starring kabuki showman, Ennosuke Ichikawa, with over 100 members of his own company and of the Peking Opera Company.

Beatrice and Benedict

FESTIVAL HALL

Or, *Béatrice et Benedict*: for Saturday's performance by the Academy of St Martin in the Fields played the opéra-comique both ways. The singers, who stayed with the original French text, were doubled by National Theatre actors speaking a version of Shakespeare's *Much Ado* trimmed in line with Berlioz's simplified story. The result might easily have been thin and artificial, but as produced by Sarah Ream with the excellent double cast it was a continuous delight.

Miss Ream achieved wonders with deft simplicity. Chorus behind the orchestra; soloists in front, the lively actors with their own platform jutting forward at stage left and the decorous singers stage right, with Paul McLeish's lighting picking out the apposite performers from moment to moment. Eve Matheson and Paul Shelley epitomised the principal lovers with verve, and the other thespians offered more than seemed possible in the circumstances. When their teasing of Benedick was dovetailed into the operatic male trio, the singers seemed suddenly very staid – or at least Stephen Roberts and Clive Bayley did: Robert Tear sang a lusty, self-mocking Bénédict throughout.

Berlioz preferred not to let his women banter, but gave them some of his tenderest nocturnal inventions. There Margaret Marshall and Alfreda Hodgson sighed exquisitely, though earlier Hero's "Je vais le voir" had found Miss Marshall somewhat out-of-sorts and shrill. Ann Murray's lovely Béatrice outdid herself in her *grand scena* of romantic confession, which could hardly be brought more beautifully and poignantly to life. The comic music-master Somarone, whom Berlioz invented for his version, usually seems a dud joke; but here the actor Henry Goodman frolicked shamelessly in the role to winning effect, and Renato Girolami lent a rich baritone to his drinking song.

The Academy band played elegantly and with tact, never threatening the singers. The composer's oft-cited description of the piece – "A caprice written with the point of a needle" – was perfectly answered by Marriner's scrupulous treatment. Only the snappy syncopations in the Overture wanted an extra kick. No other reservations were in order, and I should plead for an early reprise of the whole performance, were the Royal Opera not already planning to stage it.

David Murray

FINANCIAL TIMES
NUMBER ONE SOUTHWARK BRIDGE, LONDON SE1 9HL
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Wednesday May 3 1989

Takeovers under fire

BRITAIN'S takeover rules make life too easy for hostile bidders. That, at any rate, is the view of some industrialists, and the hotly contested bid for Consolidated Gold Fields by Minorco has highlighted two particular propositions which have been the subject of much discussion at the Confederation of British Industry in recent months.

These are that the current trigger point at which a bidder is obliged to make a mandatory offer should be reduced, and that companies should not have complete freedom to make takeover offers if they themselves are bid-proof for one reason or another. Such changes would have made Minorco's job much harder, since it started the battle with a large chunk of Gold Fields' shares under its belt and has large blocks of its own shares controlled from South Africa. But both propositions are dubious.

At present a predator is obliged under the Takeover Code to make a general offer for a company once its shareholding in the target company passes 29.9 per cent. The Director General of the CBI has called for that trigger to be reduced to perhaps as low as 15 per cent, and although the idea was politely dismissed by the CBI's own companies committee, this month's council meeting may well conclude that the Takeover Panel should be asked to lower the threshold from the current level.

Equality of treatment

It would be very surprising indeed if the panel agreed to such a request. Whether or not life should be made tougher for predators is a matter for the Government to decide: the panel's only responsibility is to ensure fair and equal treatment for all shareholders during the course of a bid. The 29.9 per cent trigger point was established almost as early as the Takeover Code itself, in the late 1960s. Its objective is not to put a handicap on bidders, but simply to ensure equality of treatment for all shareholders at a moment when effective control changes hands.

There is room for debate about what constitutes such control. But the rule has stood the test of time quite well and it is worth noting that in the proposed European Community takeover directive the level at which bids should become mandatory has been set higher, at 33 per cent.

There may be a better case for altering other takeover rules. At present, for instance, any general takeover offer has to be underwritten with cash if the bidder has acquired more than 15 per cent of the victim's shares within the previous 12 months. That barrier could perhaps be lowered, which would have the effect of making the predator's job a little harder. But again, the reason for making such a change would be to do with equality of treatment for shareholders, rather than with the pursuit of any more general policy issues.

Likely targets

The suggestion that bids should automatically be referred to the Monopolies Commission if the bidder itself is bid proof is also open to question. For one thing, there would be too much room for debate about which companies should come into this category: Philips, perhaps, but what about BP? This makes the concept of an automatic referral highly problematic. For another, although proponents of the scheme insist that they are not promoting a protectionist measure, it just so happens that most of the likely targets would be foreign companies. Their argument would be more convincing if they extended it to include agreed mergers which would have the effect of making the acquired company bid proof. In public policy terms, this is a real issue, but it is about mergers and competition rather than just hostile takeover bids.

The Government would have to consider some form of intervention if the current takeover rules were placing British companies at a clear disadvantage in the international marketplace, or were providing an open door to undesirable bidders. Obviously the existing rules need to be forcefully policed. But the value of foreign acquisitions by British companies in recent years has far exceeded that of bids in the opposite direction. And the fact that large companies in Britain cannot afford to sit back and get fat is something to be welcomed. The case for interfering with the freedom of the market is not proved.

The challenge of Japanese cars

HOW THE European Community decides to treat Japanese car sales after 1992 will be widely viewed as an acid test of its future trade policies. Though the question is still far from resolution, there are encouraging signs that liberal counsels are starting to prevail.

Mr Martin Bangemann, the European Industry Commissioner, has surprised the industry and governments by proposing that the national controls on Japanese imports imposed by five Community countries be lifted, and that no EC-wide quota be introduced in their place. Separately, France and Italy have since then abandoned their threat to block imports of Nissan cars assembled in the UK on the grounds that these did not qualify as EC-made products.

France's official explanation for its climbdown – that Nissan had reaffirmed an existing commitment to reach 80 per cent EC content at its UK plant by next year – was clearly a face-saver. Self-interest appears to have been the decisive motivation, to judge by the comment by Mr Roger Fauroux, the French Industry Minister, that "it is better to have the Japanese than unemployed people." Paris – and to some extent Rome – seem to have concluded that Japanese investment is coming to Europe anyway and that overt hostility will merely ensure that it goes to other parts of the Community.

Important shift

Though this is an important shift, numerous hurdles remain. Mr Bangemann's proposal for a totally open EC car market has yet to win approval from his fellow commissioners, let alone from the Council of Ministers, where opposition seems likely to be stiff. There is no sign that France, Italy or Spain are ready to dismantle their Japanese car import curbs unless they are promised EC restraints. If denied satisfaction, these countries might choose to block plans to liberalise the Community's internal market in cars.

However, advocates of a restrictive policy are fighting a war of diminishing returns. The greater the threat of European restrictions on direct car exports from Japan, the bigger the incentive for Japanese companies to evade them, either by exporting from their assembly plants in the US, or by setting up local production bases inside the EC.

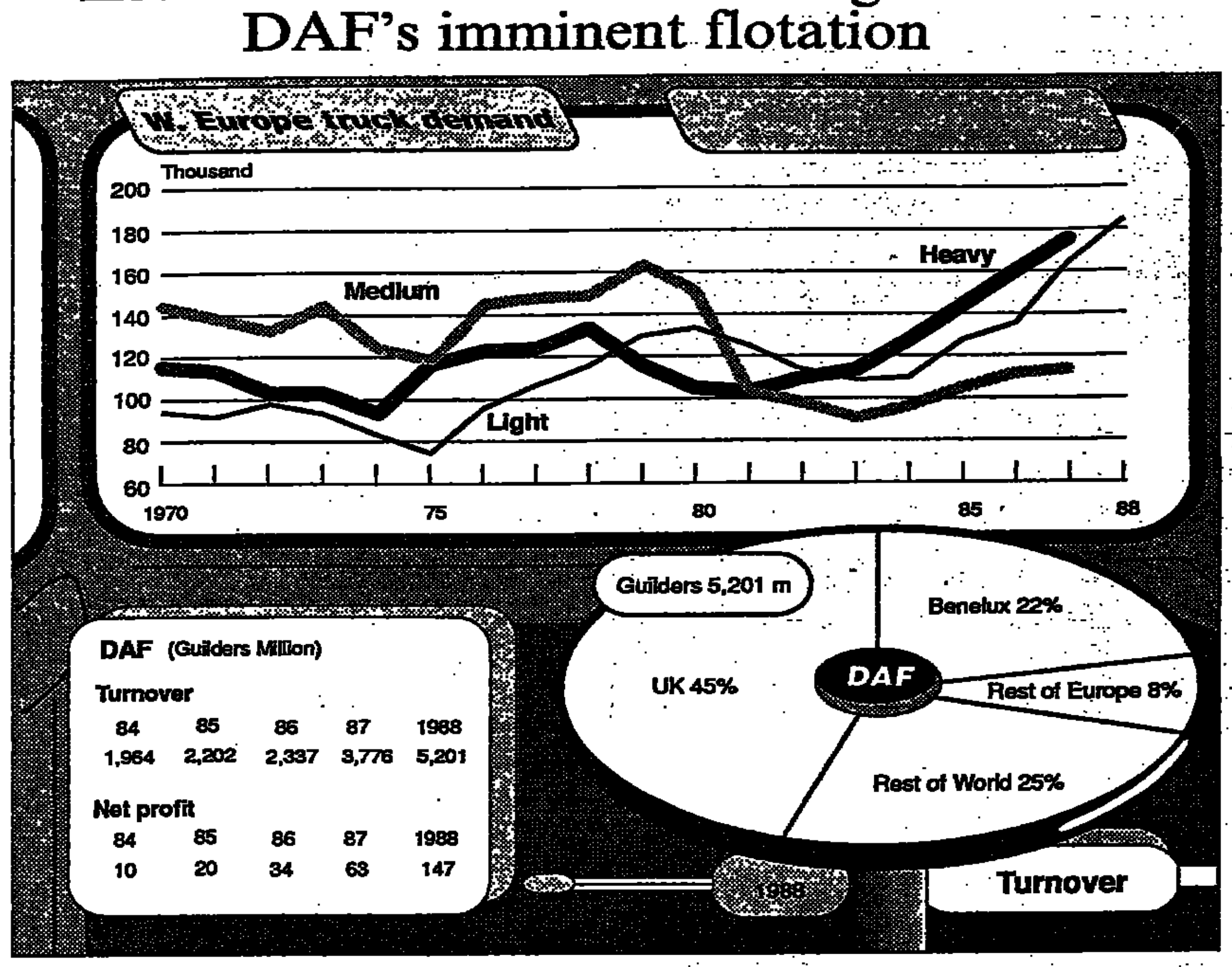
Trade war risk

The Community seems unlikely to risk a trade war with Washington by refusing imports of American origin. Furthermore, Brussels appears to have concluded that any attempt to dent the competitive challenge posed by Japanese-owned car plants in Europe by subjecting them to mandatory local content standards would violate international trade law. Even if it changed its mind, the Community would have difficulty imposing requirements more stringent than the voluntary undertakings which Nissan and Toyota have already given the UK. In any case, Nissan's UK plant has already shown that Japanese car makers can achieve in Europe levels of quality and efficiency comparable to those at home.

The harsh reality is that protectionist tactics will purchase European car makers no more than a brief respite from fiercer competition and could prove a damaging distraction from the urgent need to put their affairs in order. Though most have made a big effort to cut costs and raise productivity since the early 1980s, they have a long way to go to equal Japanese standards. The European industry is still burdened by too much ageing capacity and by obsolete and inefficient working practices.

An equally serious weakness is European car makers' heavy dependence on the Community – and, in Fiat's case, on the Italian – market. The prospect that Japanese investment will steadily add to production capacity in the EC in the next few years increases their vulnerability. Their priority in the next few years must be to devise effective strategies for reversing their declining share of world markets, not to seek refuge in barriers which protect the EC market externally or fragment it internally.

Kevin Done looks at the background to DAF's imminent flotation



A clearcut bet on the truck industry

Two years ago, when DAF, the Dutch truck maker, took over British Leyland's truck and van operations, the merger looked a risky one. DAF was a second-tier company in a business where even the big players were having problems; Leyland, a sad relic of the British truck industry's glory days. It was one of those mergers where two and two might all too plausibly end up making three, not four.

So far, however, with DAF poised to come to the stock market later this month in London and Amsterdam, the arithmetic has added up to a resounding five.

The flotation is expected to value the company at around £400m and could raise more than £250m for the existing shareholders, who are selling roughly two thirds of their current holdings. British Aerospace, parent of Leyland's former owner, the Rover car group, plans to sell a 24 per cent holding. The flotation will yield BAe between £82m and £93m, depending on the final offer price; it values BAe's current 40 per cent stake at £136-155m. Last year, BAe paid the UK Government only £150m for the whole of Rover Group.

DAF's timing in approaching the stock market can hardly be faulted. Booming demand in most West European commercial vehicle markets has produced record profits for the stronger competitors. DAF is going public before there is much solid evidence to suggest that the good times are ending, although the second half of 1989 could see the first signs of weakness.

The question for incoming shareholders is whether they are buying into DAF at a cyclical peak. The European truck industry has faced some of the most exaggerated swings of fortune of any European industrial sector. In 1950 there were 55 independent commercial vehicle makers in Western Europe. By last year there were only 11 – and the process of concentration is hardly finished yet.

Since the beginning of the 1970s. Europe's commercial vehicles industry has shown sustained if unspectacular growth of close to 1 per cent a year. But in the last 20 years there have been two exaggerated cycles.

From the 1979 peak of sales of 422,000 vehicles (of 3.5 tonnes and above gross vehicle weight – GVW), production plunged under the weight of a European depression and a collapse in demand from Middle East markets. The bottom was reached in 1984, when sales totalled only 333,000. It took until 1987 for demand to rise above the earlier 1979 peak; last year sales were 485,000.

There have been notable casualties along the way. Both General Motors (Bedford) and Ford of the US gave up the struggle in heavy trucks in Europe. GM withdrew completely and Ford ceded management control of its UK-based operations to Iveco, the commercial vehicles subsidiary of Fiat of Italy.

DAF – a relative newcomer to commercial vehicles production, having entered the industry shortly after the Second World War – had weathered the storms. Through most of the 1980s it gradually gained market share, but before the merger with Leyland it remained essentially a second division producer and was almost totally dependent on the heavy truck sector of 16 tonnes and above.

Leyland truck operations were losing more than £1m a week in 1986 when the UK Government decided they should be disposed of as part of the ending of state involvement in Rover Group. With the loss of old overseas markets and the lack of a continental European sales network, Leyland had become impossibly dependent on its UK home market. Its debt burden was largely removed to facilitate the DAF takeover. In return for the assets of the Leyland truck and Freight Rover van operations Rover acquired its 40 per cent equity stake in the Dutch group.

The takeover was completed just as the European commercial vehicle market was moving into high gear, and the Leyland operations have been profitable since the first day. Mr Aart van der Padt, chairman of the DAF management board, says that the performance of the British operations has exceeded the most optimistic hopes. The company has beaten its targets in terms of production, sales and productivity.

The merger launched DAF into the European first division. It brought other, just as important, advantages:

- DAF expanded its product range into light trucks – by now, Leyland's main area of strength – and vans.
- It acquired cheap unused capacity at the Leyland truck plant in Lancashire; its own plants in the Netherlands and Belgium were working close to capacity.
- It gained a new home market in the UK, Europe's largest single truck market, where Leyland DAF vies with Iveco Ford for overall market leadership and now leads the heavy truck sector.

From its 1986 output of 15,600 vehicles, DAF increased production to 55,767 vehicles last year, including 15,678 trucks from the Leyland plant and 20,508 vans from the former Freight Rover operation in Birmingham, recently renamed Leyland DAF vans. Group turnover has climbed from Fl 2.34bn (£653m) in 1986 to Fl 5.2bn in 1988, while net profit climbed to Fl 147.1m last year from Fl 33.8m in 1986.

Across Europe DAF has raised its market share for trucks above 9 tonnes (GVW) from some 5 per cent at the beginning of the decade to 10.9 per cent in 1988. It is now one of the big five truck makers in the market above 3.5 tonnes, claiming some 9.4 per cent of the market last year and edging into fourth place ahead of Volvo. Ahead of DAF were the French state-owned Renault Véhicules Industriels (11.4 per cent), Iveco of Italy, (20.6 per cent) and Daimler-Benz of West Germany, (23.7 per cent).

Despite the fruits of the merger, DAF is still most heavily represented in the heavy truck segment (16 tonnes and above) with a share of 11.6 per cent. Here six producers are fighting it out with shares varying between the 13.7 per cent of Volvo and the 8.1 per cent of MAN of West Germany, all trailing Daimler-Benz's 19.1 per cent. However, Daimler-Benz, the world's biggest truck maker, has begun to look fallible in recent years. Its financial performance has proved disappointing, and its share has crumbled from 26.1 per cent in 1986 (trucks above 3.5 tonnes) to 23.7 per cent last year.

At the same time Iveco has gained from its merger with the Ford truck operation increasing its share to 20.5 per cent last year from 18.9 per cent in 1986. RVI has taken its share to 11.4 per cent from 10.6 per cent. DAF has surged to 9.4 per cent from 5.3 per cent, propelled by the Leyland merger.

The Dutch management team has moved with speed to integrate the UK operations into the rest of the group. Mr van der Padt claims that by the start of this year DAF had accomplished one of its first aims of implementing a completely integrated organisation across the board from sales and marketing, to research and development, engineering, and manufacturing.

At the same time it is pursuing the aim of harmonising the previously separate DAF and Leyland ranges to eliminate overlaps. The group is aiming to have one integrated product line by 1992. Light and medium trucks up to and including 16 tonnes GVW will be produced at the Leyland assembly plant in the UK, while heavy truck production will be concentrated solely in the Netherlands and Belgium. Birmingham will be the sole source for vans.

The Leyland plant in particular is crucial to DAF's expansion, since its heavy truck plants in the Netherlands and Belgium are at full capacity. The rate of output at Leyland has been raised three times in the last two years and with an annualised production rate of 16,000 trucks it is producing at twice pre-merger level.

Through the DAF sales network the merger has opened up the Continent to Leyland's highly competitive Roadrunner light truck range, as well as to the old Freight Rover Sherpa van range. While Leyland truck output rose from 9,144 in 1986 to 15,678 in 1988, exports of the Roadrunner truck range jumped from 114 in 1986 to 1,612 last year. A similar pattern has been achieved at the Birmingham van plant with output rising to 20,508 from 18,656, while exports jumped to 2,639 from only 854.

DAF's capacity constraints on the Continent have forced it to speed up the transfer of production from Eindhoven in the Netherlands and Westerlo in Belgium to Leyland. It started last December with the transfer of its 1900 series right-hand drive models from Eindhoven to Leyland, representing an additional output to the UK of 1,000 trucks a year. The second stage will begin in August with the gradual transfer over a few months of both right and left-hand drive 1700 and 1900 models, adding a further output of 2,300 trucks a year.

The transfer of output to Leyland is pushing the plant close to single shift capacity, and a move to double shift working appears inevitable, particularly if DAF is successful in its current bid for a lucrative military truck contract from the UK Ministry of Defence. It is facing stiff competition for the contract, however, from Volvo and AWD, the privately-owned truck maker formed from the remains of GM's Bedford operation.

Revitalised by the merger Leyland productivity has improved from eight trucks a year per employee to nearly 14. As a result of a two-year quality improvement programme, the average number of defects needing to be rectified as a vehicle comes off the assembly line has been reduced from 28 to 10 in two years. The number of vehicles coming off the assembly line "right first time" has risen to 90 per cent of the total from 40 per cent at the beginning of 1987. The warranty bill has been reduced by around £1m or 10 per cent, despite the doubling in production. The quality programme had been instituted in 1986 before the merger, and is being considered as a model for the whole of the DAF group.

One of the biggest challenges still facing DAF as a result of the merger is the development of a new van range and the modernisation of the Birmingham plant to replace the more than 18-year-old former Sherpa van. DAF has now committed itself to an investment programme of around £150m over five years in the UK, of which more than two thirds will be accounted for by the van project.

It is a big gamble as DAF's presence in the European van market is dwarfed by rivals such as Ford with the all-conquering Ford Transit, Volkswagen with its Transporter, and the combined forces of the Fiat/Peugeot Sevel joint venture (Fiat Ducato, Peugeot J5, Citroën C25 and the Talbot Express), as well as the Renault Trafic. DAF will have to double production to around 40,000 units a year when the new van is launched in the first half of the 1990s, a daunting task as its much bigger competitors also announce ambitious expansion plans and Japanese groups increasingly force their way into the sector.

While its rivals continue to diversify, DAF is determined to invest further in its core business, however. Its name has repeatedly been linked with the possible acquisitions of Enasa, the Spanish state-owned truck maker – the two already have a joint venture in truck cabs – and of Steyr, the Austrian truck maker. Mr van der Padt acknowledges that discussions are taking place. He insists simply: "We are a dedicated truck maker." Investors who buy shares DAF will be able to acquire a stake in a leading European commercial vehicles maker without having to invest at the same time in washing machines (Daimler-Benz) fighter aircraft (Saab-Scania), pickled herring and tomato ketchup (Volvo) or volume cars (Fiat).

Thus, through DAF, investors can be sure of an uncomplicated bet on the European truck industry, but they can hardly draw comfort from the probable imminent peaking of the market. According to Mr Giorgio Garuzzo, chief executive of Iveco: "It is almost impossible to predict how the market will develop in the short and medium term, even though we are certain that the long-term trend is upwards."

OBSERVER

The best restaurant

■ There seems to be a popular misconception that foreign correspondents travel light. The presumed necessary armoury is a safari jacket, a notebook and/or these days a personal computer, stout shoe leather, and a capacity to drink any given source under the table with any known sauce.

While not entirely devoid of reality, what really turns us on and makes the pursuit of truth, justice and all the rest of it much more palatable is the finding of the Ultimate Restaurant.

But it is not enough that the UR be beyond belief, simply because lots of them are very expensive and therefore likely to be disallowed as an expense. So, to arrive in the sublime category, the establishment must not only be exceptional; it must also charge that which causes no eyebrows to be raised by those who have never eaten out south of Watford or north of Dulwich.

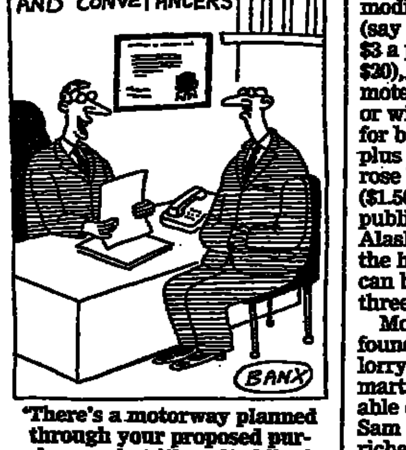
This tends to make any serious short list Third World oriented. A personal one would include the Tamarind in Mombasa (but not the branch in Nairobi), and an unforgettable and, as far as the name is concerned, forgotten fish shack on Aboukir Bay (where the *cru de ptolemy* white has a remarkable cleansing effect). Japan also does not have to cost the earth, viz my local *yakitoriya* in Tokyo which fed everyone from United States senators to chief executives, to the detriment of neither their satisfaction nor the FT's pocket.

But, from this corner, nothing can compare in value and quality to the best of America and, in all that vast country, there is no greater concentration of the best than in the small town of Abbeville, Louisiana. For this is the heart of the gastronomic mecca known as cajun country, which, the ubiquitous blackened redfish apart, has nothing to do with New Orleans and everything to do with the traditions of those French who were kicked out of Canada (the Acadian part of it) in the 18th century after Wolfe beat Montcalm three to one on the Heights of Abraham.

The particular nirvana is called Dupuy's Oyster House. There, one dozen of the finest big ones, from their 7,000 acres of oyster beds, clock in at a mere $3.50 – and compare that to London prices. Cajuns, who have made catfish into a delicacy, which takes some doing, normally kick off with at least a couple of dozen. Nor is there any point in changing a good thing. The best next course is pan-broiled oysters and shrimps, bivalves and crustaceans beyond number, done up in the hot spices that so mark cajun cooking. It is the most expensive item on the menu at $10. Throw in the odd beer and you still get change from $20 for a meal without equal.

For variety's sake, after the first oysters, wander a mile out into the swamp to Richard's Patio and take on board a tray of crawfish, three pounds of them. At six bucks, that is pretty fair value, given the current Billingsgate wholesale price of £14 per pound. Richard's has a pretty fancy menu, also running to boiled shrimp, boiled onions, boiled potatoes, beer and pop.

But don't go straightaway. Both close down for a few months while the oysters and crawfish do whatever it is they do to themselves to procreate. But go. As Jack Phares, who runs Dupuy's with Linda Hebert, puts on his t-shirts, "eat oysters, live longer."



'There's a motorway planned through your proposed purchase – but it's quite bijou'

Eggs

■ It may be apparent from a close reading of the above item that there is a certain deficiency of knowledge in this column about the reproductive processes of animals. One of my distinguished colleagues has risen from his invariable perusal of Ms 0-4 to point out that it was implied in this space yesterday that roosters laid eggs. This is, of course, a gross calumny, of which Edwina Currie was never guilty and which will undoubtedly come to the attention of Lord Rees-Mogg. We are shell-shocked.

Prices

■ It is not just eating out which can cost so much less in America than here. It may be that some of the big ticket US items like medical care and education still leave us behind, though, to judge by the Guinness case, the expense of legal advice is no longer one of them.

But, across the board, the rough rule of thumb seems to be that you pay in dollars at most what you now do in pounds. This applies to commodities as diverse as socks (say $2.50 a pair), coffee (under $3 a pound), jeans (less than $20), on-the-road hotels and motels ($25 for a double, with or without Anthony Perkins for breakfast), car rental ($79 plus a week), good shirts ($15), rose bushes ($2.50), cigarettes ($1.50, but only smokeable in public after midnight or in Alaska) and, closest of all to the heart, tennis balls, which can be obtained by the can of three in the $2-3 range.

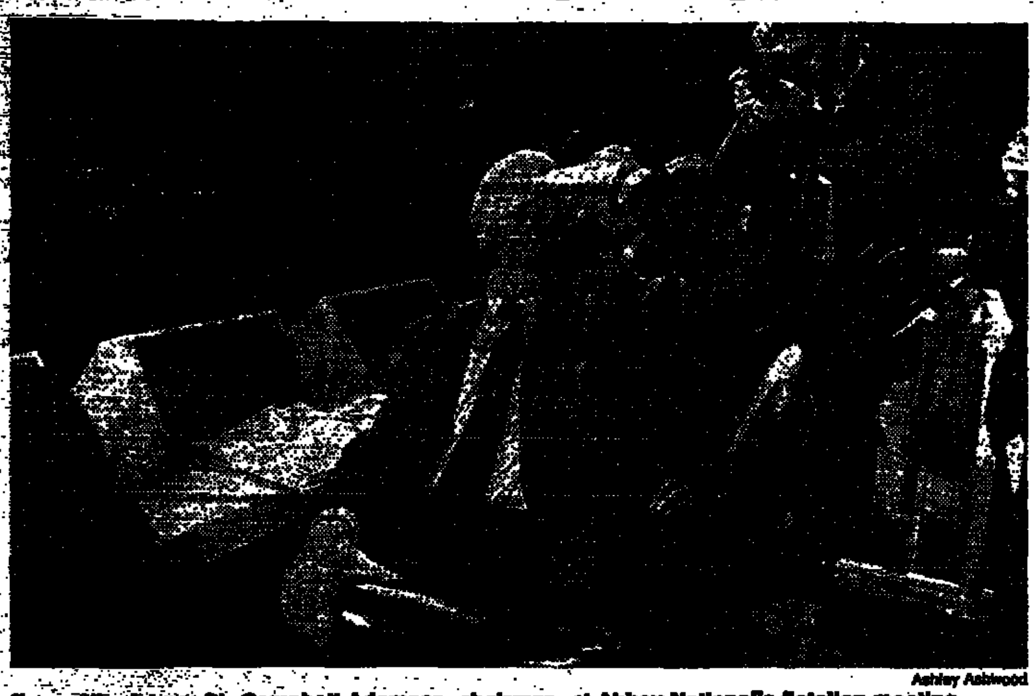
Most of the above were found not off the back of a lorry but in a Louisiana Wal-mart, a branch of the remarkable emporium that has made Sam Walton of Arkansas the richest man in America. Perhaps Europe needs his sort of investment – and prices.

RSVPs

■ Still, there is the occasional touch of class which remains indelibly British, even evident in the thick of takeover battles. Thus, Sir John Cuckney, chairman of the Royal Insurance Group which got into such a dither over which side to support in the Minorco-Consolidated Gold Fields contest, and Lady Cuckney sent out invitations a while back to a 31 cocktail party to be held soon. From Minorco comes the following gallant confirmation: "Sir Michael and Lady Edwardes confirm that they will not be withdrawing their earlier acceptance of Sir John and Lady Cuckney's full, fair and generous offer of cocktails on 23 May and look forward to the opportunity of meeting a new Minorco shareholder."

Jurek Martin

David Barchard on the problems which deregulation poses for UK building societies



Ashley Ashwood

Eye on the future: Sir Campbell Adamson, chairman, at Abbey National's flotation meeting

Seeking survival in demanding times

To the fanciful observer, the annual conference of the Building Societies Association, which starts today, is one of those moments that mark the passing of an *ancien régime*. Like a country-house party in the summer of 1914, or a saint's day feast at an English abbey on the eve of the dissolution of the monasteries, it promises to be one of those occasions where old friends come together for the last time, conscious that the common world they have inhabited is about to break up.

The watershed is coming in July: the stock market flotation of the BSA's second largest member, the Abbey National. This is the first flotation by a UK building society. Abbey National's departure to become a bank threatens to diminish the influence of the industry whilst emphasising troubling questions about its future.

Losing Abbey National will be a severe blow to the movement simply in terms of numbers. Though the BSA has 115 members, the three largest (Halifax, Abbey National and Nationwide Anglia) account for over three quarters of the industry's total assets.

It will be just as important as a precedent. Until now, the industry has professed a strong attachment to mutuality: societies are owned by their savers and borrowers and not by outside shareholders.

All building societies are conscious that they operate in newly deregulated, highly volatile markets which have produced abrupt reversals in fortune over the last three years. The BSA conference is being held after the societies' best year, largely thanks to the flight of small savers from the stock market following the October 1987 crash.

Building society receipts from savers in 1988 were up by 82 per cent on 1987 levels, at £13.5bn, while mortgage lending rose by 39 per cent to £50.9bn taking the societies' share of the mortgage market to 60 per cent.

A year earlier, the picture was very different. Late in 1987, the societies' share dipped below 46 per cent under competition from banks and the new mortgage companies. This year, markets have altered again. High interest rates are making life difficult for all mortgage lenders.

Mr Peter Birch, Abbey National's chief executive, confesses to "tremendous nostalgia" for departing mutuality. "But really it is a question of survival," he says. "Flotation will only get us to the starting grid where we are able to compete on equal terms with the rest of the market and allow us to offer our customers a full range of financial services and on a much bigger scale."

As yet, few other societies openly agree with this and there is no sign of any stampede to follow Abbey National into the stock market. Indeed, at present only two societies, National & Provincial and Alliance & Leicester, admit to considering incorporation, compared with about half a dozen this time last year. Halifax, the largest society with assets of over £35bn, declared itself against incorporation last June. It was quickly copied by most of the other societies examining the idea.

Mr Jim Birrell, chief executive of Halifax, argues that Halifax has been able to diversify into a wide range of new retail banking activities, from estate agency to credit cards and cheque book current accounts, without having to shed mutual status or tap the stock market for funds.

Mr Tim Melville-Ross, chief executive of Nationwide Anglia, the third largest society and the first to offer its customers an interest-bearing current account, agrees. "Conversion is not an end in itself and at the moment we feel we have the ability to do all the things we want to do as a mutual," he says.

The future of the building society industry may depend on whether this analysis is correct or whether, as many analysts and economists claim, the mutuals will find themselves increasingly constrained as they compete in the open market with equity-based institutions.

Though the small societies carry on largely as they have always done, societies in the top 30 have been forced to make potentially fateful strategic choices, quite apart from the *decision on whether* to convert to plc status. Only the very largest societies, such as Halifax and Nationwide Anglia, have the resources to become retail banks offering a full range of services to their customers. Other, medium-sized, societies are compromising by offering only one or two services or by opting to remain niche players in the mortgage market.

By general agreement, the dilemma is sharpest for those larger societies with assets of between £1bn and £10bn and branch networks of more than 50 – not the very largest societies, but those in the next tier. Several City analysts predict a steady drift among these societies to conversion. Mr John Wriglesworth of Phillips & Drew says he expects about 20 conversions over the next decade, though only about half a dozen of these will be independent stock market flotations like that of the Abbey National. The rest will be takeovers by existing groups or companies.

Apart from the top two or three societies, few of the second tier societies are large enough to stand much chance of surviving on their own once the statutory five years protection from takeover after conversion is up.

Awareness of this is at least as important as the devotion to mutuality in explaining the lack of enthusiasm for conversion among the slower moving societies in the BSA's top 10. These prefer mergers to form large mutual retail banks, continuing the recent pattern of steady concentration in the industry. The number of societies has fallen from 273 in 1980 to around 115 today.

Not all building society executives, however, agree that mergers are preferable to takeovers. "If by converting to plc you guarantee your society five years of healthy survival in this sort of ultra-competitive market, then eventual takeover is not too high a price to pay," says the chief executive of one of the smaller societies in the top 25.

"Takeover may not be as unattractive as it looks at first sight," says Mr Patrick Frazer, research director at Lafferty Group, a business research company. "It could mean that the building society survives as the mortgage lending and retail banking arm of a larger financial services group, with its top executives all in place."

Discussions between some building societies and potential purchasers have been discreetly carried out in the City over the past year. "The assumption is that best way to do it is for the two sides to set up joint ventures and allow their business to become so inextricably intertwined that members of the society regard the purchaser as part of the landscape when it comes to voting for the takeover," says one foreign banker.

This solution is not one that is yet palatable to many societies. Those who favour remaining mutual institutions look to compromises to raise capital for growth, such as giving building societies the right to issue some tradeable shares similar to equity in all but name.

This possibility was raised by Mr Michael Bridgeman, head of the Building Societies Commission, the industry regulatory watchdog, at the BSA conference a year ago. Since then, however, legal snags have emerged and it seems primary legislation may be needed to get around them.

Further legislation may well be on the way anyhow. Mr Mark Boleat, director-general of the BSA, believes that the legislative distinctions between building societies and banks will be gradually dismantled.

"Within 10 years, building societies will be regulated very largely in the same way as banks," he says. This is heartening for those in the industry hoping to be given more legal flexibility, while retaining the protection needed for a separate building society identity.

That separate identity may however already be fading. The Building Societies Gazette, the Chartered Building Societies Institute, and even the BSA itself are believed to be considering becoming broader-based entities addressed to all types of lender in today's mortgage markets.

Community care

Radical medicine that gives value for money

By David J Hunter

Pressure is mounting on the UK Government to deliver its long-awaited response to the report on community care produced over a year ago by its health adviser, Sir Roy Griffiths. The report's publication was distinctly *sotto voce* for reasons which were not entirely clear at the time. They have since become so. At the root of the problem is the role cast for local authority social services departments (SSDs). There has been a tendency in political circles to misinterpret proposals for making local government more accountable as devolving more power.

Ministers are belatedly waking up to the fact that much of the success of the NHS reforms will hinge upon resolving the difficulties besetting community care policy and practice. The search for alternatives to SSDs has centred around ideologically attractive notions including making GPs community care budget holders, setting up new agencies, and splitting responsibility for various priority care groups between different agencies in an as yet unspecified configuration. These solutions seem practically implausible given the massive change agenda already confronting hard-pressed health authorities and family practitioner committees. Ironically, the reforms increase the appeal to the Griffiths proposals.

It can safely be assumed that Sir Roy Griffiths investigated alternative models in making his proposals. Indeed, the most thoughtful aspects of the Griffiths Report relate precisely to the question of how decentralisation and planning to meet local needs can best be combined with ensuring central leadership on policies and value for taxpayers' money.

A careful reading of the report reveals that central government, in the shape of the Department of Health, should give a clearer lead to those local agencies involved in managing and providing community care services. It can no longer shirk its responsibilities for giving unequivocal policy direction in an area where policy is a shambles (and where the Audit Commission's exposé of the irrationality and waste in current public expenditure was the reason for Sir Roy's inquiry being set up in the first place). This will need to be backed up by mechanisms to ensure that local plans fulfil nationally agreed criteria and that they are then implemented. The proposals have much in common with the development of the All Wales Strategy for people with a mental handicap.

A big challenge for the DoH in England is how to handle the scale factor. It is one thing for the Welsh Office to relate to nine local authorities and quite another to suggest that the DoH relate to 108 county councils. Ironically, if an argument for the retention of regional health authorities in the NHS is that the DoH cannot relate directly to 190 or so districts, then is the case not as overwhelming in regard to local authorities? It probably is but the Government is unlikely to countenance any form of regional government. However, it might be persuaded to establish a community care development agency which could perhaps do for community care in England what the Scottish and Welsh Development Agencies have done for industrial development in those countries.

A community care development agency, following the principles set out in the Ibbs report which has found favour in Government, could be entrusted with many of the management tasks which Griffiths proposes for the DoH and could serve as the pivotal link between the central department and local authorities. Of course, a single agency may find the task too onerous and may in time need to spawn regional offshoots. The agency could be staffed by a mix of seconded officials from the DoH, the Health Advisory Service, the Social Services Inspectorate, the National Development Team, and officers form local authority SSDs.

Turning to the other half of the new partnership which Griffiths implies needs to be forged, it is clear that local government will not continue to be a monopoly provider of services. Griffiths has been much misunderstood and misquoted on the subject. Rather, the role of SSDs will shift to an enabling, facilitating and regulatory one. In essence, this is the *quid pro quo* for giving local authorities a lead agency responsibility. Moreover, the new role will demand different skills and expertise from those currently available to SSDs. In addition, through the proposed community care grant and the central monitoring arrangements, Griffiths has ensured that sufficient checks and balances are in place to allow ministers freedom from worry about councils of a radical persuasion "mismanaging" resources and services.

It is true that implementing the proposals constitutes a big challenge to both central and local government. There are doubts about central government's capacity to undertake the new tasks Griffiths suggests, without which community care policy will remain unmanaged. Equally, there are doubts about the ability of SSDs as currently constituted and staffed to move into the "contract culture" which Griffiths sees as crucial to allowing a more efficient, consumer-sensitive approach to community care provision. But there are no alternatives which avoid these challenges. Indeed, to set about a restructuring of health and local authorities, which seems likely, as a prelude to addressing the substantive problems of community care would only compound the difficulties and undermine Sir Roy's central argument, which is worth restating.

"The urging to be radical has generally implied that I should tear up the present organisational structures and start afresh. I have decided to be even more radical. Nothing could be more radical in the public sector than to spell out responsibilities, insist on performance and accountability and to evidence that action is being taken; and even more radical, to match policy with appropriate resources and agreed timescales."

It would be folly indeed if a government which prides itself on its managerial acumen were to ignore this message and add more confusion to the policies which directly and indirectly affect millions of people.

The author is Director of Nuffield Institute for Health Services Studies at the University of Leeds.

LETTERS

The Minorco-ConsGold takeover

From Mr J.B. Rathbone.

Sir, Since last Wednesday, April 26, the situation with regard to the Minorco takeover of Consolidated Goldfields, where Minorco now has control of just under 55 per cent of the shares, raises a number of points.

Is this takeover or future takeovers to be decided by the opinion of a judge in a third country, or by the majority of the shareholders?

How much more money are the present directors of ConsGold entitled to spend on legal fees fighting the majority of the shareholders?

The minority shareholders, as represented by the insurance companies, should now have second thoughts if they believe that the majority of shareholders should decide the outcome.

I am hopeful that on these grounds one other insurance company, apart from the Royal, will now break ranks.

I happen to be a shareholder of most of the insurance companies, and along with the rest of the shareholders I am never asked how the insurance companies should vote on these matters. While I fully understand that it is natural and desirable that they should think about their jobs as directors, the situation has now changed.

It is beginning to seem to me like a Labour Party conference, where a few trade union individuals vote millions of votes without reference to either the members of the union on the one hand or the shareholders on the other.

Surely any reasonable judge should tell the majority of shareholders what action they should take in order to remove doubts with regard to the American subsidiaries?

I am chairman of a company which happens to own a lot of shares in ConsGold and the insurance companies, but I am writing this in my personal capacity because I have not had time to consult my shareholders as to whether they agree with my sentiments.

J.B. Rathbone,
Wyngate,
Lawford's Hill Road,
Worplesdon, Surrey

From Mr G.M. Pitcher.

Sir, The continued defence of Consolidated Goldfields in the face of a majority of acceptances for Minorco's offer may be unsightly, but Lex (May 2) misses the point in arguing that this is unjustified.

Minorco launched its revised bid in February, conditional upon a satisfactory resolution of an injunction awarded last October. ConsGold shareholders accepted the offer not only on *the usual condition that* Minorco won a majority of votes, but also on the condition that Minorco won in court.

There can be no justification that the one condition, volunteered by Minorco, should be disregarded simply because the other has been satisfied.

G.M. Pitcher,
88 Elfindale Road, SE24

Electricity costs could drop

From Mr Michael Spicer MP.

Sir, Mr Peter Kreamer (Letters, April 25) claimed that competition in electricity generation would result in higher, not lower, electricity prices from the major suppliers.

Mr Kreamer gives only an abbreviated account of how he arrives at this novel interpretation of the effect of competition on prices. It is, however, clear that he has overlooked two simple points.

He has assumed that electricity demand will be stagnant, and that existing generating plant will not need to be replaced. Both assumptions are wrong: demand is already growing and forecast to continue, and major investment in replacement plant will be needed.

He also assumes that a generator whose plant is undercut will be able to pass on his fixed costs in higher prices to other consumers. If a generator tried to do that in a competitive market, he would lose further customers to competitors. In such a market, generators will not be able to charge more than the prices offered by new entrants.

Mr Kreamer seems to think that generators will still have a monopoly they can exploit. That is precisely what our proposals will prevent.

Competition in any market leads to greater efficiency and better value.

Electricity generation is no exception, and there are already ample opportunities for new independent producers to enter the market. We already know of some 20 examples where they plan to do so with competitive cost structures. Their entrance to the market will undoubtedly place a downward pressure on electricity prices.

Michael Spicer,
Department of Energy,
Thames House South,
Millbank, SW1

'It works very efficiently in Venice'

From Mr J.A.J. Berry.

Sir, I was interested to read Rachel Johnson's article (April 24) about the Thamesline river bus. It deserves to succeed, but the existing service needs to change. In particular:

● The service needs many more stops – but ferry stops are the main cause of delays. Boats must turn into the tide and then come alongside, both of which manoeuvres are difficult and sometimes lengthy. The service should consider an all-stops service and a direct, non-stop service from one terminal to another. This works very efficiently in Venice.

● The speed limits are a nonsense – especially when applied to a catamaran with jet propulsion. A river bus service should be allowed the water-going equivalent of a bus lane, and be allowed to travel at higher speeds.

● River buses should be smaller: there could then be more of them; hence a more frequent service. Smaller craft would be easier for crews to manoeuvre, and cheaper to run.

● The service must be extended further west so that more commuters can use it.

Implementation of these proposals, coupled with a more realistic attitude from the authorities, will contribute to the river bus becoming an accepted – and very enjoyable – means of transport.

J.A.J. Berry,
Berry Asset Management,
The Chambers,
Chelsea Harbour, SW10

Sanctions in South Africa

From Mr N.J.R.J. Mitchell.

Sir, Mr Bell (Letters, April 26) calls for intensified pressure to increase the level of economic damage caused to South Africa by sanctions. The anti-apartheid movement appears to have lost sight of its original purpose: Sanctions themselves, not a free South Africa, have become the objective.

The real objective should be the end of apartheid and a non-racial, democratic, prosperous South Africa capable of providing housing, health, education and jobs for an expanding population; an economic powerhouse for the whole of southern Africa.

Significant signs of hope emerge in South Africa as a new leadership, from a different generation with new attitudes, takes power. The real enemy of apartheid is black economic power in parallel with firm pressure from diplomatic and business sources for genuine negotiation.

Nick Mitchell,
British Industry Committee on South Africa,
45 Great Peter Street, SW1

Elections in Bolivia

From the Bolivian Ambassador.

Sir, I must correct the statement in Robert Graham's article (April 17) that in Bolivia over the past 150 years there has been no democratic transfer.

After the establishment of the Republic of Bolivia, on August 6 1825, the political history of my country shows the transfer from civil power among candidates who were elected by means of an electoral process. Over the last few years there have been democratic transfers in 1956, 1960 and 1964.

The presidential elections which will be held this week, on May 7, will ensure the third successive democratic transfer of government since democracy was restored. Dr Paz Estenssoro was duly elected by congress to his present term of office in 1985 – a fact acknowledged by Mr Graham. This election was in keeping with the Bolivian constitution.

E. Arauco-Paz,
Bolivian Embassy,
106 Eaton Square, SW1

FINANCIAL TIMES
Wednesday May 3 1989

Gandhi learns how to play power politics

David Housego sees the emergence of a more ruthless Indian Prime Minister

INDIA'S general elections are at least six months away but the prospect has come to dominate the political horizon with the intensity of an approaching monsoon.

Decision-making within the Government is virtually at a standstill. Parliament lurches from one drama to another with discussion on the budget guillotined for lack of time. The issues and themes of the campaign are beginning to emerge.

The surprise at this stage is that Mr Rajiv Gandhi, the Prime Minister, again looks as though he could scrape through with a narrow majority. After winning a landslide victory in 1984 on a sympathy vote in the wake of his mother's assassination and as a youthful symbol of change, he has been badly damaged by corruption scandals and loss of confidence in his leadership.

But he is now aggressively exploiting the divisions and faction fighting that haunt the opposition and which, if anything, have grown worse in recent weeks.

Two events have recently played into the Prime Minister's hands. The first has been the overthrow of the Janata Dal government in the southern state of Karnataka. This is the only state government where the Janata Dal – the main component in the coalition of opposition parties – is in a majority and thus it is seen as an important test of its cohesion and competence.

It had been clear for some time that Mr Gandhi's administration had been trying to topple the Karnataka government. Congress almost certainly had a hand in the telephone tapping scandal which last year precipitated the resignation of Mr Ramakrishna Hegde, the then chief minister and certainly a front-runner for Prime Minister in terms of competence if the opposition should come to power.

The new chief minister, Mr S.R.Bommai, did not have the strength to curb the ambitions of his rivals or the appetite for jobs and money of Janata deputies in the state assembly. Late last month Mr Deve Gowda, one of the main power brokers in the party, and possibly Mr Hegde, pulled the plug on the administration by engineering the defection of 19 MPs.

Mr Bommai's government found itself in a minority. Seven MPs quickly switched back after being offered money *and perks to secure their loy*alty. But by then it was too late. The Prime Minister used the allegations of "horse-trading" to dissolve the assembly and declare President's rule. Even the pro-opposition Indian Express blamed the Janata Dal for its folly in an editorial headlined "Their own doing."

By almost any reading of current constitutional practice, Mr Gandhi's act was an abuse of the centre's powers. But an opposition call for a day of protest against what Mr V.P. Singh, the opposition leader, called the "strangulation of democracy" met with a limp response.

Congress has now the option of calling state elections in Karnataka in advance of the general election. Its aim would be to show that the Janata Dal in Karnataka, like the Janata government in India in the late 1970s, fell apart from its own divisions – thus underlining the Congress message that Mr Gandhi alone can guarantee *stability.*

Congress has a chance of winning in Karnataka if the two wings of the Janata party in the state remain divided. A victory there would help wipe out memories of Congress's defeat in January in Tamil Nadu, another southern state, and boost its image before the general election.

The other event that Mr Gandhi has belatedly been able to exploit is the controversy over the report of the Thakkar Commission into Mrs Indira Gandhi's murder. When the issue erupted in late March, it caught Mr Gandhi badly on the defensive.

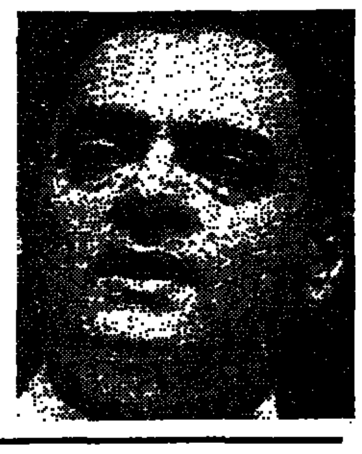
Shortly before, he had appointed Mr R.K. Dhawan, a former close associate of his mother, to a key political post. In doing so he had apparently forgotten that the then unpublished report by Justice Thakkar had named Mr Dhawan as somebody whose possible involvement could make him a subject for further investigation.

When leaks of the report appeared in the press, the opposition found plenty of ammunition with which to discredit Mr Gandhi. His refusal to disclose it fully enhanced the suspicion that he had much to hide. But Mr Gandhi has since been able to turn the tables on the opposition by using the report to reawake sympathy over his mother's assassination.

Mr Gandhi has also justified his refusal to disclose all the Thakkar report with the argument that four more Sikh extremists were to go on trial on charges of conspiring to murder his mother and of waging war against the state. The election campaign will thus unfold against the background of a courtroom drama bearing out the Prime Minister's theme that the integrity of the nation stands threatened by the forces of extremism.

It is thus a very different Mr Gandhi who will present himself to the electorate from the young reformist Prime Minister of his early years in power. He is more ruthless and more ready to use the manipulative and money politics that he decried in his mother to destroy his own opponents. He has for the moment shed his belief in liberal economics in favour of a return to Congress populist rhetoric.

Mr Gandhi's new aggressiveness could yet propel the opposition towards cohesion. But the rivalries between Mr V.P. Singh and his colleagues in the opposition National Front run deep. They are far from settling their disputes over posts in the national or provincial *leadership. They have yet to* face the difficult issue of allocating seats. Their policies are hazy. In this sense the collapse of the Janata Dal in Karnataka provides a cruel reflection of the state of their coalition.



The way Gandhi (right) dissolved the Karnataka government was by almost any reading of current constitutional practice an abuse of power. But the call by opposition leader V. P. Singh (left) for a day of protest against this 'strangulation of democracy' met with a limp response

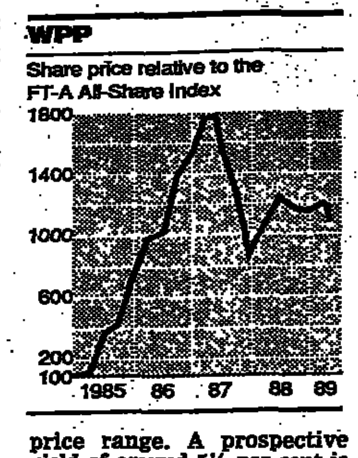
THE LEX COLUMN

Paying Mr Sorrell to think big

It was to be expected that WPP's shares would drop like a stone if the offer for Ogilvy materialised, and so they have. The market has learned through its dealings with such as Saatchi and Blue Arrow that agencies seem irresistibly drawn towards merger, on obscure but much-repeated grounds of cross-referral and global branding. What is starting to cause a touch of irritation is the fact that the process always seems to involve a raid on shareholders' wallets, this time in the form of an appropriately sophisticated £175m or so of convertible preference shares.

It is doubtless true that the JWT and Ogilvy agencies have much in common, both in their roots in US media advertising and in their subsequent broadening by geography and product. There is also such a thing as a WPP formula, which has been applied to undoubted effect in the case of JWT. But it is less clear that Ogilvy offers the same spectacular scope for margin improvement as JWT did: or how simple it would be to bring Ogilvy's debtor/creditor ratio in line *with what the WPP camp* claims is the industry norm.

Above all, the market is having difficulty in seeing the benefit to earnings. It is Mr Sorrell's contention that there will be no dilution this year or next, despite the fact that he is offering a multiple twice as high as his own. This is hard to establish until the terms of the convertible are known, and it is not clear that Ogilvy is available for a mere $45 a share, rather than the near-$50 reached in the market yesterday. Given the risks inherent in mergers of this kind, and the apparently limited return, shareholders might ask themselves who this deal is supposed to benefit.



DAF

Despite the political uncertainties hanging over the Dutch stock market there is no reason why the DAF flotation should not go well. A specialist European truck maker may not be as cyclical a business as chemicals, say, but its earnings are likely to be considerably more volatile than those of a Unilever. In addition, its margins are lower than many of its peers and while this means there is plenty of recovery potential, it makes DAF more vulnerable in any downturn.

That said, these risks seem to be reflected in the projected price range. A prospective yield of around 5½ per cent is comfortably above that on offer from Akzo and DSM, and makes up for a multiple of about 7, which is perhaps a point higher than the traditional Dutch cyclical stocks, but a couple of points below the market average. Meanwhile, a near doubling in DSM's first quarter results yesterday was a reminder of how well international investors have done out of Holland's biggest ever stock market flotation. *Despite obvious cyclical* concerns, DSM shares are now trading close to a fifth above their offer price.

Polly Peck

Polly Peck's flat refusal to discuss its balance sheet at last month's preliminary profits briefing was not encouraging, but then neither were the details revealed in yesterday's report and accounts. Gearing would have been still higher than the reported 65 per cent without an accounting change that adds considerably to reserves; and judging by the weak cash flow, further devices may be needed if gearing is to improve this year. Despite the £180m rights issue, borrowings have continued to rise to pay for large capital *expenditure that has yet to do* much for earnings. During the 16 months the company managed to generate less cash than in the previous 12, partly because of an inexplicably large £98.9m adjustment to working capital apparently caused by the weakness of the Turkish lira. Still, none of the above should have surprised anyone: a p/e of less than 7 on a growth stock takes all that sort of thing into account.

US dollar

If the recent rise in the dollar was simply a response to Monday's purchasing managers' index, it should have run its course by now. Those numbers *do not seem to alter the* Fed's options much: the fresh evidence of economic strength merely adds to the confused picture of the economy, and suggests the Fed is well-advised to sit tight.

Instead, the advance in the dollar owes as much to the weakness of the Yen and the D-Mark and to a temptation to test the resolve of G7. Yesterday's central bank intervention *had a distinctly* half-hearted feel to it, and the sight of the dollar rising to its highest level this year against the Yen without a murmur from the Bank of Japan can only encourage the dollar bulls. Moreover, the interest rate rise that everyone is waiting for in Japan still seems some way off. The latest inflation numbers were if anything better than even the Government had forecast, and can conveniently serve as an excuse for not raising rates at such a politically dicey time. The weakness in the D-mark, meanwhile, is more worrying: the market is not impressed by the somewhat dubious promise of a capital inflow once withholding tax is lifted, and is saying that last month's half point rise in rates is not enough.

House lending

The UK authorities will take some comfort from the latest figures on mortgage lending. Whereas net new mortgage commitments of the building societies rose by 7 per cent in the first quarter of 1989 – compared with last quarter 1988 – the amount of house lending approved by banks fell by over 40 per cent during the same period. Gross bank lending in the latest quarter is now running at half last summer's peak level of £4.9bn, and is more subdued than at any time since early 1987.

By contrast, the reduction in building society lending has been surprisingly slow given the more than one third rise in mortgage interest rates over the last year. The societies are lending more than three times as much as the banks, and the authorities must be hoping that now that they have recouped their dominant market position, future lending will decelerate sharply. Meanwhile, the continued rise in outstanding bank bridging loans is a reminder of the growing financial pressures on the marginal borrowers.

Thatcher steps up criticism of EC

By Michael Cassell, Political Correspondent, in London

MRS Margaret Thatcher, Britain's Prime Minister, yesterday stepped up her criticism of the workings of the European Community, claiming that the UK Government was deeply concerned about the volume of EC legislation. She also called for increasing vigilance in monitoring Commission initiatives.

Mrs Thatcher's remarks follow the recent government rejection of the Delors commit*tee report outlining steps* towards economic and monetary union within the EC and will add to the impression of growing strategic differences between London and Brussels.

Downing Street confirmed yesterday that Prof Alan Walters, who was last year appointed the Prime Minister's special adviser on economic affairs, has this week taken up his part-time post. It is likely that Prof Walters will be consulted by Mrs Thatcher on the Government's approach to the Delors proposals.

It also became clear that, despite renewed pressure from within some government circles for the Government to consider early membership of the European Monetary Fund, the Prime Minister remains resolutely opposed to any change in her approach.

During question time in the House of Commons, Mrs Thatcher said ministers were finding it very difficult to obtain full information on many EC policy proposals currently under consideration.

She also suggested that some measures were being incorrectly presented as an integral and essential part of the move towards completion of the single market in 1992.

Her remarks followed a call from Mr William Cash, a Conservative Party MP, for more effective scrutiny of EC legislation by the House of Commons European legislation committee.

Mrs Thatcher told MPs she recognised their concern about the weight of EC legislation.

EC Commissioner challenges US to open banking market

By Tim Dickson in Brussels

SIR LEON BRITTAN, European Commissioner for financial services, has challenged the US to follow the EC's example and open up its banking market.

In a speech to the annual conference of the US Bankers Association for Foreign Trade in Phoenix, Arizona, he not only sought to dismiss long held American fears of a "Fortress Europe" in the financial sector but implied that his hosts should change their own legislation if they want a more liberal banking environment.

Discussing recent Commission amendments to the EC's proposed second banking directive – designed to offer a Community-wide banking licence to any bank incorporated within a member state on the basis of "home country" control – he insisted that "there can now be no more room for misunderstanding. Far from building a *fortress we are taking a sledge*hammer to existing national restrictions and clearing the ground for a new, more open Community banking sector."

All the EC asked in return was that other countries "do not discriminate against our banks merely on grounds of their nationality. That is a reasonable request. It is reasonable to insist on non-discrimination, and I do not believe that this should present any problems in the US."

The first reactions of member states to the Commission's revised proposal for the second banking directive have raised hopes *in Brussels* that a so-called "common position" can be reached at the June meeting of economics and finance ministers.

The only hurdle then remaining would be the European Parliament, which *showed itself to be more pro*tectionist in last month's debate on the issue and which could exert some influence in its "second reading".

Sir Leon, however, is confident that "the European banking market is going to be more liberal and less restricted than the financial market in the US or in Japan. We believe we will gain from that, and we are quite happy that you should . . . compete in our markets".

On the question of action to open up the US market, where well established legal barriers hinder inter-state banking, Sir *Leon said that* while *the* EC would use "persuasion", not threats, "if current restrictions (in the US) are dismantled European banks will benefit, and American banks will benefit even more."

Kohl opens way for compromise over Nato arms

Continued from Page 1

arguing that short-range weapons mostly threatened Germans, but said the aim of the weapons was the prevention of war and that was especially in West Germany's interest as a front-line state.

Yesterday's White Paper said that despite cuts announced in the forces of the Soviet Union and its allies, "we have yet to see any slowing down in the rate of procurement and modernisation of Warsaw Pact equipment." It dismissed the Warsaw Pact's contention that there was "rough parity" in forces, even by the Pact's own figures.

"In several areas the quality *of modern Warsaw Pact equip*ment is comparable or even superior to the corresponding Nato systems." In multiple rocket launchers – the kind of system the US intends to use for the Lance replacement – the Soviet Union had an undisputed technological lead, it said.

Unep agrees to end CFC production by year 2000

Continued from Page 1

Working parties are to be established to draw up specific proposals for implementing these resolutions at the review meeting of the Montreal Protocol countries next year.

Yesterday's Helsinki declaration was approved at the first meeting to include the 46 countries which signed the protocol in 1987.

That protocol stipulates a 50 per cent reduction in CFCs by the end of the century. But since 1987, many countries, including Britain, have moved much faster towards abolition.

The EC recently agreed to phase them out completely by the end of the century.

Norway said that it was prepared to allocate 0.1 per cent of its GDP (about $100m) a year towards an international fund on climate change provided other industrialised countries did the same.

The resolution also agrees to phase out "as soon as feasible" other ozone-damaging substances such as halon gas which is used in fire extinguishers.

It agreed to facilitate the access of developing countries to scientific information, research and training into alternatives to CFCs and to facilitate the transfer of technology and replacement of equipment for this purpose.

Price freeze in run-up to Argentine election

Continued from Page 1

Exporters have been given what they demanded – access to the free rate of exchange – but the new measures have imposed a 20 per cent tariff on all agricultural and industrial exports.

The new economic measures also include plans to attack Argentina's growing fiscal deficit problems from another angle, by raising revenues through new taxes on vehicles, buildings, land sales, and by removal of legislation subsidising industrial development schemes in the interior of the country.

Any such new taxation has to be passed by Congress. Opposition Peronist legislators (who hold an overall majority) have already said they will oppose greater taxation. Mr Eduardo Bauza, an economic adviser to Mr Carlos Menem, Peronist presidential candidate, said: "Argentines are tired of taxes".

Argentina's expanding fiscal deficit – which in 1989 is estimated to be more than 12 per cent of gross domestic product – has come to a head since the start of this year and given rise to general lack of confidence in both economic and political terms.

Overall public spending is only 30 per cent funded by received revenues; the other 70 per cent comes largely from issues of government bonds (there are now over 30 different types) and in part from printing money.

As part of the latest moves the *Government will issue a* new bond "to be subscribed to by the most important businesses of the country with the object of financing the National Government."

Bonn eases position in dispute over EFA radar

By David Goodhart in Bonn

THE West German Government appears to be relaxing its hitherto fierce opposition to the radar system being developed for the planned European Fighter Aircraft (EFA) by a consortium led by Ferranti of Britain.

The dispute over the £1.5bn to £2bn ($2.5bn to $3.4bn) radar order, one of the world's largest defence electronics orders, has become the first serious argument inside the four-nation EFA project which is due to produce a new generation of fighter aircraft to go into service by 1996 at a cost of £22bn.

Britain, Italy and Spain have been supporting the ambitious ECR 90 radar system being developed by Ferranti, Fiar (Italy), Inisel (Spain) and Siemens (West Germany). The West German Defence Ministry has been pushing for the MSD 2000 system developed by AEG (West Germany), Fiar, Inisel *and the UK's GEC-Marconi*, which is based on a tried and tested radar made by Hughes of the US.

The Nato EFA Management Agency, which has been privately supporting the ECR 90, says the basis of a compromise involving a complex risk-sharing formula for the ECR 90 is being prepared. The West German Government has agreed to discuss this proposal despite *its reservations about* the Ferranti system.

Officials believe West Germany will accept the ECR 90 but only if Bonn faces minimal responsibility for any cost overruns. The Bundestag has already been reluctant to accept the total bill of about DM20bn ($10.6bn) for the new fighter and the military establishment fears that any request for further money would be *turned down.*

The West German Government wants a final decision on the radar by May 31, so that any revisions could be put before the Bundestag ahead of the summer recess. However a great deal of negotiating work remains to be done and British officials hope only for a final decision sometime during the summer.

A complicating factor is that the AEG-Marconi consortium has put in a new bid involving its MSD 2000 system on which there had been a cost reduction of nearly 20 per cent. Although the bid is contractually invalid because the final bid date has already passed, it is thought a way will be found to allow it to be lodged formally to bring even more cost pressure on the Ferranti-led consortium.

West German industry would receive almost as much *work if the Ferranti bid was* accepted, although there is some domestic anxiety that in that event the Luftwaffe might not refit its F-4 Phantoms with the Hughes radar system.

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	-	-	-	Dubrovnik	R	12	84	Malta	S	17	63	Rhodes	S	20	68
Algiers	S	19	66	Edinburgh	C	17	63	Manchester	C	14	57	Rio de Jo	C	33	91
Amsterdam	S	15	59	Faro	S	21	70	Manila	S	36	97	Rome	S	18	64
Athens	F	13	66	Florence	S	20	68	Melbourne	C	17	63	Salzburg	F	14	57
Bahrain	S	30	86	Frankfurt	C	18	64	Mexico City	S	26	79	San Francisco	C	13	55
Bangkok	S	36	97	Funchal	S	19	66	Miami	C	28	83	Seoul	S	25	77
Barcelona	S	18	64	Geneva	S	16	61	Milan	S	21	70	Singapore	C	32	90
Beirut	-	-	-	Gibraltar	S	19	66	Montreal	C	10	50	Stockholm	F	15	59
Belfast	S	16	61	Glasgow	C	14	57	Moscow	F	14	57	Strasbourg	S	19	66
Belgrade	C	12	54	Guernsey	C	12	54	Munich	F	15	59	Sydney	C	21	70
Berlin	C	15	59	Helsinki	S	14	57	Nairobi	R	24	75	Taipei	R	25	77
Biarritz	S	13	55	H. Kong	R	26	79	Naples	F	17	63	Tangier	S	20	68
Bombay	F	32	90	Innsbruck	S	15	59	Nassau	S	29	84	Tel Aviv	S	25	77
Bordeaux	S	20	68	Inverness	C	15	59	New Delhi	C	39	102	Tenerife	S	23	73
Brussels	S	18	64	Islamabad	C	27	81	New York	C	13	55	Tokyo	S	21	70
Budapest	C	13	55	Istanbul	S	22	72	Nice	S	17	63	Toronto	S	5	41
B. Aires	S	19	66	Jakarta	R	33	91	Nicosia	S	26	79	Tunis	R	12	54
Cairo	S	29	84	Jersey	C	16	61	Oporto	S	19	66	Valencia	S	23	73
Cape Town	S	19	66	Jo'burg	C	18	64	Oslo	C	9	48	Venice	S	21	70
Caracas	C	30	86	Lima	S	24	75	Paris	C	20	68	Vienna	C	11	52
Casablanca	S	20	68	Lisbon	S	27	81	Peking	S	28	82	Warsaw	F	16	61
Chicago	S	13	55	London	S	20	68	Prague	S	15	59	Washington	F	14	57
Cologne	F	18	64	Los Angeles	S	24	75	Reykjavik	C	7	45	Zurich	S	15	59
Copenhagen	C	13	55	Luxembourg	C	16	61								
Corfu	T	14	57	Madrid	S	19	66								
Dallas				Majorca											
Dublin	F	16	61	Malaga											

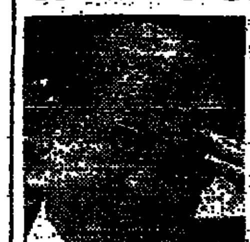
Readings at mid-day yesterday

C-Cloudy Dr-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

FINANCIAL TIMES
COMPANIES & MARKETS
Wednesday May 3 1989

INSIDE

Market fails to dent Chrysler



Chrysler, the third largest US motor manufacturer, shrugged off the effects of the sluggish state of its domestic car market to achieve a sharp increase in both sales and profits in the first quarter. Chairman Mr Lee Iacocca (left) said the rising revenues and profits were due to a "richer product mix", reflecting a long-term strategy of emphasising more upmarket products. Page 23

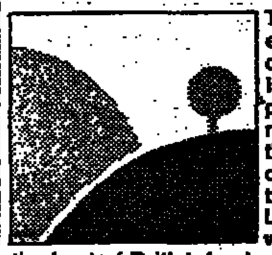
Pride of the Lion

Foreign consumption of New Zealand-brewed Steinlager beer has expanded by 23 per cent per annum for the past three years. But Mr Douglas Myers, chief executive of Lion Nathan, the company that produces the beer, is not satisfied yet. As part of the strategy of concentrating on building export markets and wooing foreign drinkers that he conceived some years ago, Mr Myers is setting about raising his company's profile throughout the world. Dai Hayward reports. Page 24

Ozzies bounce back

Australia stole the show in a healthy week for world equity markets last week, bouncing back by 4 per cent in four days after languishing offstage for much of the year. Takeover activity was behind the rebound. The UK and Japanese markets provided strong backing, helping to lift the World index by 1.2 per cent overall, in spite of a poor showing in the US and continental Europe, writes Hilary de Boerr. Page 48

Best of British on show



The farming industry employs just 2.5 per cent of the UK's population but supplies 80 per cent of its nourishment. But this weekend the countryside will come to town and for three days visitors to London's Hyde Park will be able to sample the best of British food, see farm animals and machinery and learn about the industry. In the Farmer's Viewpoint, David Richardson looks ahead to the Festival of British Food and Farming and reflects on the changes agriculture has seen since the event was conceived five years ago. Page 26

Market Statistics

Companies in this section

Chief price changes yesterday

FRANKFURT (DM)				**LBC**	3018	+	28.9
Rises				Assurances Fed	678	+	18.5
Karstadt	488	+	8.5	**Falls**			
Kaufhof	470	+	5	Groupe Victoire	471	-	18.3
Falls				Damart-Lainiere	381	-	35.6
Bayer Verein	381	-	20	Elf Gabon	936	-	32.8
Hypobank	365	-	10	**TOKYO (Yen)**			
Feldmuehle	359.5	-	8	**Rises**			
NEW YORK ($)				Okuma	1290	+	190
Rises				Sasaki Glass	1650	+	200
Johnson Controls	41⅞	+	2⅝	Miura Printing	1210	+	110
PepsiCo	49⅜	+	1¼	**Falls**			
Continental Air	28	+	1½	Yakuwa Mfg	1790	-	110
Falls				Oka Seiki	1500	-	80
Central Big Sys	7⅛	-	⅝	Chiyo	1050	-	50
Scherer (RP)	30¼	-	3¼				
Sea Man	17⅞	-	⅞				
PARIS (FFr)							
Rises							
CMB Packaging	692	+	22.7				

New York prices at 12.30.

LONDON (Pence)				Western Motor	673	+	11
Rises				**Falls**			
Douglas (RM)	333	+	14	Bass	943	-	10
ERF	473	+	8	Cable & Wire	490	-	11
Gardiner Group	247	+	10	Enty's Wiley	148	-	11
Hunting Assoc	450	+	25	Fisons	257	-	8½
Hunting Gibson	220	+	9	Glynwed	354	-	11
Lister	147	+	8	Granada	355	-	10
Midland & Scot	80	+	11	Pavilion Leis	195	-	29
Moss Bros	253	+	18	RHM	354	-	15
Oxford Inst	253	+	13	WPP Group	630	-	54
Prospective	71	+	8	Whitbread A	365	-	6
Racal Elec	450	+	10				
Racal Telecom	370	+	15				
STC	335	+	7				

High passion on Madison Avenue

James Buchan and Nikki Tait on WPP's hotly contested move for Ogilvy

MR David Ogilvy, an old and rude Scotsman who did well in advertising, sits in a stone house south of Paris and rages about his life's work. "I always said that mega-mergers were for megalomaniacs," he says. "God, the idea of being taken over by that odious little jerk really gives me the creeps. He's never written an advertisement in his life."

Mr Ogilvy says many much worse things about Mr Martin Sorrell, the sometime accountant and finance man who is trying to add the Ogilvy advertising group to the JWT companies which he snatched from Ogilvy's management for $566m two years ago. Mr Ogilvy has a certain license: he is 77, 14 years retired and a legendary figure on Madison Avenue.

His portrait by Annie Leibovitz on this year's Ogilvy annual report – leaning idly against his farmyard doorway in a Jermyn Street shirt, red braces and manure-covered gum-boots – shows he has preserved intact the sense of style he brought to Madison Avenue in 1948.

The advertisements his firm did for Schweppes, Merrill Lynch, American Express and Shell were urbane and unfussy when US advertising was neither. And he was international in outlook when Madison Avenue was small-town: today, Ogilvy handles Unilever's business in 47 countries.

Though Ogilvy now enjoys $838m in revenues, and comprises public relations, market research, direct marketing and retail consulting as well as the advertising business, Mr Ogilvy is still influential. Says Mr Jonathan Rinehart, who runs the Ogilvy public relations operation: "David Ogilvy still peppers us with memos and inquiries. His spirit is felt all over the place."

Mr Ogilvy, with his high reputation and low language, is one weapon available to Mr Rinehart and Mr Kenneth Roman, the group's recently appointed chairman, in their bid to repel Mr Sorrell and his UK-based company, WPP. They argue that a financier at Ogilvy's helm will damage relations with clients, staff morale and creative standards: in other words, the whole David Ogilvy legacy. But, in one of the strangest aspects of a strange takeover story, Mr Rinehart and Ogilvy are talking as much to London as Wall Street.

This is realistic. After two days of heavy turnover in Ogilvy stock, much of the company is now owned by short-term Wall Street speculators – known as arbitrageurs (arbs) – or hard-nosed fund managers such as Mr Scott Black, who has only not sold his 3 per cent to the arbs because he expects a higher bid from a Japanese company. He has little time for the Ogilvy legacy: "Martin's not going to destroy Ogilvy. I'm sure they'd like to stay independent but it's just not on the cards."

Instead, Ogilvy and its advisers, which include S. G. Warburg in London, are trying to win over City of London institutions that have bet a surprising proportion of the British public's savings on taking over the advertising business. The message is that the institutions could lose as badly on WPP/Ogilvy as on Saatchi & Saatchi, whose market value has tumbled after a string of equity-financed takeovers on Madison Avenue. Mr Sorrell used to be Saatchi's finance director.

The argument is two-fold. First, the advisers are saying that Ogilvy – despite flat earnings for four years – is a much better-managed company than JWT, which had so lost control of costs at the J. Walter Thompson ad agency that profit margins were just 4.5 per cent, or half the industry average. In contrast, Ogilvy's advertising operation has margins of 9.7 per cent, according to Mr Rinehart.

The other argument is that advertising will suffer and clients will quit. The UK institutions were badly rattled after the JWT takeover, when a string of client defections cost Mr Sorrell more than $100m in billings. Two leading Ogilvy clients, Seagram and Owens-Corning Fiberglas, are making threatening noises. Mr Edgar Bronfman Jr., soon to be president of Seagram, says he will review the account if the bid succeeds.

If Ogilvy does take the battle to WPP's existing institutional shareholders, it may get some sympathetic hearings. A quick straw poll yesterday – to the background of a WPP share price down from 684p to 630p – found few enthusiasts for Mr Sorrell's latest suggested foray.

Their criticisms break down into three main categories - some of which might be music to the ears of Ogilvy's advisers. The first is that the deal comes too soon after the JWT bid: "Sorrell's a sound accountant," comments one former supporter of the group, "but it's far too soon to assess the sort of earnings per share growth coming through."

The second worry concerns the sector generally, with investors' doubts highlighted by the recent Saatchi & Saatchi profits warning. "We believe the sector may continue to derate or, at any rate, show little improvement," says one institution.

The third set of qualms is about how much potential Ogilvy might hold, and what the implications of an equity-funded deal might be in the short-term, given the relative ratings of the two groups. On the earnings front, there were initial fears in London that the "substantial equity element" mentioned in the proposed funding could mean a rights issue, and that the Ogilvy purchase could be dilutive.

However, better-informed analysts were suggesting later that the financing was more likely to consist of slightly more than half in debt and the rest in convertible preference shares. Without firm proposals, the sums are inevitably vague. Nevertheless, at the proposed $45-a-share level and assuming some margin improvement at Ogilvy, leading pundits had become convinced that the deal should be earnings-enhancing.

Even so, some concerns seemed to persist. "I'm sure the funding can be found," said one fund manager, "but at a price. It'll probably be some sort of fancy convertible with all the bells and whistles attatched. As ever, Ogilvy's shareholders seem to do rather better than WPP's."

All this is presumably little surprise to Mr Sorrell, given that some of the institutions have already made the point to WPP directly. So why is WPP apparently so keen to pursue a possible acquisition?

On the advertising front, runs the argument, J. Walter Thompson has its strengths in Latin America and Japan, and Ogilvy (now out of Japan) in the rest of the Far East. Ogilvy, too, would bolster WPP's European advertising presence - widely regarded as the best growth area.

Such a deal would also boost WPP's marketing services operations, adding Ogilvy's sales promotion activities to the British group's strength in PR (through Hill & Knowlton), and combining the market research activities of both companies. Direct client conflict is also reckoned to be relatively limited.

But, if the case can be made, there are also caveats - in particular, what damage might be done if WPP risks going forward on a hostile basis - with the usual fears about client defections coming quickly to the fore. As one London analyst summed up prevailing sentiment in the Square Mile: "After the Saatchi warning some people may simply ask 'What is the point of being bigger?'"

Advertising gross income
Source: Advertising Age

Rank 88	Rank 87	Group	Gross income ($m) Worldwide 1988	87	% chg	Billings ($m) Worldwide 1988	87
1	1	Saatchi & Saatchi	1,990	1,685	18.2	13,529	11,357
2	2	Interpublic Group of Cos	1,260	993	26.9	8,402	6,623
3	4	WPP Group	1,173	893	31.5	7,825	5,953
4	3	Omnicom Group	986	896	10.6	7,072	6,268
5	5	Ogilvy Group	865	759	14.0	5,703	5,041
6	6	Eurocom	500	420	19.0	3,343	2,763
7	7	WCRS Group	335	240	39.3	2,914	1,675
8	8	Lowe Howard-Spink & Bell	197	149	32.8	1,316	1,036
9	11	Bozell Inc	194	NA	NA	1,347	NA
10	10	GGK Holding AG	85	52	62.6	578	415
11	9	Lopex	68	54	25.4	452	359

Extending his global ambitions: Martin Sorrell of WPP

Thomson in $810m deal for publisher

By David Owen in Toronto

INTERNATIONAL Thomson Organisation, the fast-growing publishing and leisure travel group which is set shortly to merge with Thomson Newspapers to form a US$5bn corporation, is to buy The Lawyers Co-operative Publishing company, a US specialist publisher, for $810m in cash.

The move is consistent with ITO's emphasis on specialist publications serving the business, professional and educational marketplaces.

Since entering the field in 1979, the group has accumulated an impressive collection of titles including the Jane's series of defence publications and the American Banker. It is the largest medical publisher in the world.

Lawyers Co-op is a leading publisher of printed and electronic legal, tax and business law research products and services, with 1988 revenues of about $200m.

The company and its subsidiaries form an integrated publishing operation, which includes a manufacturing facility capable of producing a full range of in-house products. ITO's coffers were recently swelled by the $616m sale of its North Sea energy interests to Lasmo, the UK oil group, in the wake of the Piper Alpha disaster last July.

The group expects to report an extraordinary gain on the sale of at least $475m in its 1989 first quarter.

Last month, ITO and Thomson Newspapers directors unveiled the terms under which it is proposed that the two companies merge to form The Thomson Corporation. Both groups are controlled by the Toronto-based Thomson family, which will ultimately hold about 68 per cent of the merged entity.

Shareholders of Thomson Newspapers will receive 1.67 shares of the new company per Thomson Newspapers share, while holders of ITO stock will exchange on a straight one-for-one basis. However, ITO shareholders will benefit from a sharp 87.3 per cent increase in dividend payments.

A vote by minority shareholders only on whether to accept the merger terms is scheduled for June 2.

Bond Corporation credit rating downgraded

By Chris Sherwell in Sydney

BOND CORPORATION, the beleaguered Australian brewing, media and property conglomerate, reacted sharply yesterday to the further downgrading of its credit rating from "B" to "CCC".

The rating is the second lowest category used by local agency Australian Ratings, and has been extended to Bond Corporation, Bell Group and Bell Resources, all of which are part of Mr Alan Bond's business empire.

In a separate development, the Australian Broadcasting Tribunal has again been urged to find Mr Bond to be not a "fit and proper" person to hold television and radio broadcasting licences.

Counsel assisting the tribunal was responding yesterday to arguments from Mr Bond's lawyer that such a negative finding had to be against the licensee companies rather than Mr Bond himself, for whom such a decision would have "catastrophic consequences."

In a significant adjustment of his position, Mr Bond has also offered undertakings which would distance him from his broadcasting interests and ensure that the majority of Bond Media's directors and chairman were not associated with him.

The tribunal, which has the power to revoke Mr Bond's licences, recently found that he made an improper payment to former Queensland premier Sir Joh Bjelke-Petersen and threatened to use his television staff against a major institutional investor. It has also found that his executives submitted fake radio news tapes to a tribunal hearing.

The Australian Ratings decision on the group comes hard on the heels of its last downgrading of Bond Corporation, in November 1988.

Explaining the change, it said that since then "a number of adverse events have occurred" which were likely to have led to reduced lender confidence.

In particular it pointed to "extensive negative media coverage" which would raise concern among lenders and investors, and to Lonrho's attacks on Bond's financial viability which had culminated in the failure to sell its 20 per cent stake in Lonrho.

The agency also pointed to the Broadcasting Tribunal's adverse findings, which raised questions about the future of an important Bond asset, and it cited the impact of current high interest rates for Bond Corporation as a highly leveraged company.

Regarding Bell Group and Bell Resources, it said their financial affairs were "inexorably linked" with those of the Bond Corporation.

In response, Mr Peter Beckwith, Bond Corporation's managing director, complained bitterly about the basis of the decision, adding that he was "astonished that, entirely without reference to any of the company's representatives," the agency had downgraded the three companies.

Valeo buys car heater supplier

By Paul Betts in Paris

VALEO, the leading French car components group, has acquired Delanair, the main manufacturer of car air conditioning and heating systems in the UK, for an undisclosed amount from Lindustries, part of the Hanson group of the UK.

The deal is the latest in a string of acquisitions and joint ventures negotiated by the French group, which is aggressively seeking to expand its international presence.

Valeo, which recently reported a doubling in group profits to FFr890m ($140m) last year from FFr440m in 1987, has recently negotiated a number of joint venture deals with Japanese component makers as well as a series of other joint ventures and acquisitions in France, the rest of Europe and America.

Although Valeo is already the leader in the European market in car heating and air conditioning systems, its strength was largely concentrated in southern European markets.

The Delanair acquisition will sharply increase the French group's presence in the UK market in this field of the car components industry.

Delanair employs about 1,250 people and owns two plants in Wales. Its annual sales total £53m ($90m). Valeo said yesterday that the British company supplied all air conditioning systems for Jaguar and was a major supplier of heating systems for Rover.

It added that Delanair controlled about 40 per cent of the car heating market and about 70 per cent of the car air conditioning market in the UK.

Valeo also reported yesterday an 11 per cent rise in first quarter sales to FFr4.9bn this year from FFr4.4bn in the first quarter of last year. The group reported sales of FFr16.5bn for the whole of last year.

Fiat gains control of big engineering group

By Alan Friedman in Milan

FIAT, the diversified Italian vehicles group, has agreed to pay Lire 247.5bn (£106m) to buy 51 per cent of Cogefar, one of the country's leading civil engineering groups. The acquisition of control of the publicly-quoted Cogefar will make Fiat Italy's biggest private sector construction company.

Fiat is expected to move swiftly to merge Cogefar and Impresit, its own construction subidiary.

Cogefar had 1988 sales of Lire 777bn, against Impresit's 1988 turnover of Lire 709bn. The link-up would give Fiat a civil engineering group that could compete more effectively with both Italian state construction groups from the IRI and ENI holding concerns and internationally.

Prof Franco Reviglio, chairman of the ENI state group, wanted to purchase control of Cogefar last year and to incorporate the company into Saipem, ENI's pipelaying subsidiary which is diversifying into civil engineering. But the bid foundered on political opposition.

Fiat bought the stake from Acqua Marcia, the holding company that will retain a 4.7 per cent token equity stake. It said it had paid Lire 247.5bn for 33m ordinary shares, meaning Lire 7,500 per share, or a premium of 31.3 per cent on yesterday's closing price of Lire 5,713.

UK financial group for sale

By Vanessa Houlder in London

PROLIFIC GROUP, a UK independent financial services business, is putting itself up for sale.

The move is a response to industry changes that have resulted from the new investor protection regime and the prospect of European deregulation.

Prolific has been a fast growing company in the unit trust business and is now the UK's 15th-largest, with total funds of almost £1.5bn ($2.5bn) being managed. But, despite its rapid growth, it appears to be too small to achieve its ambitions of an expanded product range and Europe-wide distribution.

"The whole of the market place has changed extremely rapidly. A very much wider range of resources is needed in terms of capital requirements and distribution channels," says Mr Phillip Judkins, spokesman.

Holderbank to manage US plant

By William Dullforce in Geneva

HOLDERBANK, the Swiss-owned group which is the world's leading cement producer, yesterday reported a 22 per cent climb in 1988 net earnings and announced it was assuming management responsibility together with a takeover option for BoxCrow, the most modern cement plant in the US.

The Swiss company's consolidated net earnings reached SFr353m ($214m) in 1988, achieved on revenues of just over SFr4bn, up by 8.7 per cent over 1987.

Holderbank Financière Glaris, the Swiss holding company, posted an 11.3 per cent increase in net profit to SFr65.2m. The board plans to raise dividends from SFr100 to SFr115 per bearer share, from SFr20 to SFr23 per registered share and from SFr10 to SFr11.50 per participation certificate.

Holnam, the group's holding company for North America, has agreed in principle to enter into a 10-year takeover option agreement with the financially troubled BoxCrow Cement Company of Texas, and its creditors. The agreement should be finalised before the end of May.

Under its terms Holnam will be able to acquire the assets of the BoxCrow plant at any time during the period. However, management responsibility, covering all technical operations and marketing, is being transferred immediately to Ideal Basic Industries, a Holderbank company in Denver, Colorado.

Commissioned in 1987, and just under 50km south of Dallas/Fort Worth with an annual capacity of 1m tonnes, BoxCrow is the largest and most modern greenfield cement plant in the US.

It was intended to serve northern and eastern Texas and southern Oklahoma and to supply cement for the US Department of Energy's nearby Super-Collider project, but ran into marketing problems.

Holderbank said the agreement with BoxCrow reinforced Holnam's strategic position in the US and offered excellent opportunities for improving services to present customers.

Currently Holnam has an annual cement capacity of 13.2m tonnes in North America, making up roughly 30 per cent of the group's worldwide output. Holderbank said it would take time to assess BoxCrow's long-term prospects before deciding whether to exercise its option.

In 1988 the move towards vertical integration within the group was emphasised by the purchase of smaller companies in gravel, ready-mixed concrete and construction chemicals.

Shipments of clinker and cement rose by 1.9 per cent to 34.6m tonnes. Deliveries of aggregates were up 12.4 per cent to 22.6m cu metres, while sales of ready-mixed concrete climbed by 7.7 per cent to 7.6m cu metres.

A cash flow of SFr860m, up by 10.2 per cent, was generated on the SFr4bn turnover. Total investments, at SFr416m, were 29 per cent higher than in 1987, with fixed assets accounting for SFr363m.

De Beers confident on OFT probe outcome

By Kenneth Gooding, Mining Correspondent

THE UK Office of Fair Trading appeared to be in no particular hurry to complete its preliminary investigation to determine whether the activities of the De Beers diamond cartel should be referred to the Monopolies and Mergers Commission, Mr Julian Ogilvie Thompson, chairman of De Beers Consolidated Mines, the South African group, said yesterday.

The activities of De Beers' Central Selling Organisation, which from its London base accounts for more than 80 per cent of the worldwide trade in rough (uncut) diamonds, were drawn to the attention of the OFT in February by Consolidated Gold Fields, the UK mining group currently fighting a bid from Minorco, a Luxembourg investment company in which De Beers is a major shareholder.

Mr Ogilvie Thompson said: "We are confident that nothing will come of it. If anything does, we will have to have another plan. But we think it is a most unlikely outcome."

The CSO had no plans to move its operations away from the UK. He said De Beers was confident it could persuade the OFT that the diamond cartel – which he described as "a producers' co-operative with a buffer pool" – did not operate against the public interest.

Mr Ogilvie Thompson also disclosed that US investigators, from the General Accounting Office, had visited the CSO in London after a suggestion that the US should apply sanctions against South African gold and diamonds.

He said nothing had been heard from the US authorities since the visit six weeks ago. "I think the whole question of sanctions on diamonds is almost certainly impractical and would be unlikely to hurt the country it was directed at and would cause great problems in other producer countries and in (diamond) cutting centres. One hopes that commonsense will prevail."

Mr Ogilvie Thompson was in London for the publication of the De Beers annual report.

UK to write off £110m of debts at Mersey Docks

By Ian Hamilton Fazey in Manchester

THE UK Government is to write off £110m ($186m) of repayable grants and £1.5m of loans owed by the Mersey Docks and Harbour Company in a major capital reorganisation announced by Robert Fleming, the company's merchant bank, yesterday afternoon.

At the same time, the company's redeemable unsecured loan stock – which accounts for 68p of each £1 unit of stock now – will be capitalised into 60m new ordinary shares and a dividend of 4.16p per share will be payable in the current financial year. The dividend will be the first since the Government had to rescue the company from collapse in 1970. Under the rescue package, dividends were not allowed while the company was still in debt to the state.

The capital reorganisation has to be approved by shareholders at a meeting on May 30. However, the Government has already said it will vote its own 20.67 per cent in favour and shareholders are thought likely to follow suit.

The Government also indicated yesterday that it would sell its holdings – in effect, fully privatising the company.

The price of the company's stock rose from 673p per unit to 708p within an hour of yesterday's announcement, making the Government's share of the 20m units worth £230m.

The Government will almost certainly receive more than this because the price is likely to rise further. Disposal will be orderly to take best advantage of market conditions.

Yesterday's announcement also revealed that Mr David Abell has resigned as a director of Mersey Docks. Mr Abell is involved in an investigation by the Department of Trade and Industry.

Strong start to year at DSM

By Our Financial Staff

DSM, the Dutch chemicals company which is being privatised in stages by the Netherlands Government, nearly doubled first-quarter net profits from Fl 150m in the 1988 period to Fl 297m ($140m).

Pre-tax operating profit rose to Fl 423m from Fl 329m, reflecting "persistently favourable trading conditions," while turnover increased to Fl 2.77bn from Fl 2,46bn. There were no extraordinary items in the current period, compared with a loss of Fl 50m a year earlier.

However, DSM cautioned that the 98 per cent rise was unexpectedly strong and should not be taken as an indication for the annual rise.

Even so, the company, which went public in February this year, expects net profits to be significantly above the 1988 level of Fl 622m . The state still owns two-thirds of the company's stock and plans to sell half of this in September.

Net profit per share for the first quarter was Fl 8.50, against Fl 4.30 last year.

DSM said the first quarter's favourable trend had carried on beyond the period. But the recent oil price rise and its possible impact on important raw materials, as well as the development of the economy, presented uncertainties.

Many analysts had expected first-quarter earnings around Fl 200m, with even the highest forecasts falling well short of the first-quarter result.

OK Bazaars up despite slower second half

By Jim Jones in Johannesburg

OK BAZAARS, one of South Africa's three largest supermarket chains, lifted sales and profits in the year to March 31 1989, but has reported significantly slower second-half growth in the wake of credit curbs, higher interest rates and surcharges on imported goods.

The year's turnover rose 19.4 per cent to R3.73bn ($1.47bn) from R3.12bn, but the directors say sales increased 22 per cent in the first half and only 17.2 per cent in the second. The year's operating income before tax and finance charges was R67.1m against R53.6m.

Sharply higher interest rates resulted in an increased interest bill and the pre-tax profit rose to R43.2m from R38.7m.

The directors expect little or no growth in the disposable incomes of South Africa's lower and middle income groups this year, but see some improvement in the group's trading performance, provided the monetary authorities do not impose unreasonable fiscal and monetary restraints.

Earnings per share rose to 195 cents from 162 cents. The year's dividend has been lifted to 103 cents from 98 cents.

OK Bazaars is controlled by South African Breweries, the diversified group.

Fivefold profits rise at Elkem

By Karen Fossli in Oslo

ELKEM, the big Norwegian light metals group, yesterday posted a fivefold increase in first-quarter profits before extraordinary items to NKr431m ($63m) from NKr79m in the same period last year.

NKr25m of the rise is attributed to a change in accounting for extraordinary items. Group turnover in the period rose to NKr2.68bn from NKr2.16bn.

Elkem said markets for its main products rose steadily and world steel production, the largest consumer of ferro-alloys, increased by 4 per cent in the first three months. Prices for ferro-silicon and manganese alloys in the period were between 5 and 10 per cent higher than in the comparable period last year, while average prices for aluminium products increased by nearly 15 per cent over 1988 contract price levels.

Last year Elkem implemented measures to increase productivity by NKr700m annually for both 1988 and 1989. Group net interest bearing debt is forecast to be reduced to NKr3bn this year from NKr3.4bn, while equity is expected to rise to 30 per cent of total assets from 25 per cent.

Restructuring of the industries division continues and Elkem said it was seeking to divest from its garden equipment and hand tools business.

In addition, divestment from its 50 per cent shareholding in Elkem-Rockwool, a joint venture with the Danish Rockwool concern, which produces insulation materials, is also under consideration. Elkem stressed it has no intention to merge with Orkla Borregaard, the Norwegian industrial group which lifted its stake in Elkem to 27 per cent last month.

● Saga Petroleum, Norway's largest independent oil company, has received board approval to launch a NKr500m subordinated convertible bond issue, to split each share into four to establish a "B" class of shares, and to split "A" shares into two classes of "free" and "restricted" for separate quotation on the Oslo stock exchange.

Hoechst 23% ahead in first quarter

By Peter Marsh in Frankfurt

HOECHST, the big West German chemicals group, yesterday reported a 23 per cent increase in pre-tax profits for the first three months in 1989, underlining the buoyant state of the whole West European chemical sector,

The company's taxable profits rose to DM1bn ($532m) from DM820m in the first quarter of 1988. Sales were DM11bn, compared with DM9.8bn, a rise of 12 per cent.

The company said 1989 had begun well with a rise in demand affecting all its product sectors. Industrial chemicals and commodities plastics had performed especially well.

Hoechst said it had been especially pleased by its sales growth in the US, Canada, Japan and Australia.

The company said that the current favourable business conditions in the chemical industry, which over the past two years have restored the business in Western Europe to health after a poor period at the beginning of the 1980s, showed no sign of a downturn.

● Degussa, the West German metals group, intends to buy the industrial measurement and control systems division of the auto instruments maker, VDO Adolf Schindling, in an effort to strengthen its activities in this area. Terms were not disclosed.

Thomson-CSF to sell control of ABG-Semca

By Paul Betts

THOMSON-CSF, the French state-controlled defence and electronics group, has agreed to sell its controlling stake in ABG-Semca, specialist in air conditioning equipment for the aerospace industry, to a partnership between the West German Liebherr group and Intertechnique of France.

The agreement, if approved by the French authorities, will lift Liebherr's stake in ABG-Semca from 40 per cent to 66⅔ per cent, while Intertechnique will acquire a 33⅓ per cent stake.

The deal is the latest example of the rationalisation and concentration taking place in niches of the European aerospace industry. It will link three of Europe's main suppliers of aerospace air conditioning equipment.

ABG-Semca is the largest French manufacturer of air conditioning and pressurisation systems for the industry with annual sales of FFr395m ($62.2m) and a staff of 540. The company had already forged industrial links with Liebherr, jointly developing the air conditioning system for the Airbus A320.

Liebherr's aerospace components activities had total sales of DM202m ($107m) last year. Intertechnique's aerospace activities had sales of FFr672m last year.

Chargeurs clinches Spontex deal

By Our Financial Staff

CHARGEURS, the French transport and media group, has agreed in principle to sell its Spontex cleaning materials unit to a consortium led by Hutchinson, a French producer of rubber and plastic goods that is 80 per cent owned by Total-Compagnie Francaise des Petroles, the state-controlled oil company.

Chargeurs declined to give financial details of the deal. A previous FFr1.1bn ($173m) offer for Spontex by Minnesota Mining and Manufacturing (3M) of the US was blocked by the French Government in March.

Hutchinson is primarily a condom maker.

INTERNATIONAL COMPANIES AND FINANCE

Chrysler net rises sharply with upmarket strategy

By Anatole Kaletsky in New York

CHRYSLER, the third largest US motor manufacturer, achieved a sharp increase in both sales and profits in the first quarter, despite the sluggish condition of the US car market during the past few months. The profits were broadly in line with expectations and Chrysler's share price increased by only $¼ to $24.

Chrysler made net profits of $351m or $1.50 a share on sales revenues of $9.95bn. In the first quarter of 1988 the company made $184m or 83 cents, but this poor result was partly due to a one-time charge of $93m or 42 cents connected with certain plant closures.

Chrysler's net sales a year ago were $8.56bn.

The 16 per cent advance in sales revenues was achieved on an increase of only 6 per cent in factory unit sales.

Chrysler sold 671,560 vehicles in the latest quarter, compared with 634,292 the year before.

Mr Lee Iacocca, the company's chairman, said the rising revenues and profits were due to a "richer product mix", reflecting a long-term strategy of emphasising more upmarket products.

"For several years we have been moving our product line slightly more upscale. Our newest additions, the Plymouth Acclaim and Dodge Spirit are upscale from the K-cars they replaced," he noted.

The K-cars, which in the past few years had been the cheapest American-made cars available, were phased out last year and this accounted for a dip in Chrysler's share of the retail car market in the latest quarter.

In the fast-growing passenger truck and van markets, however, the group continued to gain market share.

Eastern swells Texas Air loss

By Roderick Oram in New York

TEXAS AIR reports that its first-quarter loss has doubled, with the financial drain of the strike at Eastern Air Lines swamping a better performance at Continental Airlines, its other operating subsidiary.

Although Continental improved, it was still running at a loss in the quarter on essentially flat revenues when most other airlines were enjoying booming traffic and profits.

Texas Air's net loss for the three months to March 31 was $255.5m or $6.56 a share, against $124.3m or $3.24 for the same period a year earlier. Revenues fell to $1.89bn from $2.18bn and its operating loss soared to $174m from $3m.

The two-month-old strike by machinists and pilots at Eastern pushed it to a net loss of $255.2m on revenues of $620.6m from a net loss of $31m on revenues of $1.1bn for the first quarter a year earlier.

"Further substantial operating losses should be expected for the second quarter," Mr Phil Bakes, Eastern's president, said. However, the airline's reorganisation plans submitted to the bankruptcy court should lead to "dramatic" improvements in its results, he added.

Eastern plans to sell some $1.8bn of assets including 44 per cent of its aircraft, 14 per cent of its landing slots and 42 per cent of its airport gates. It will also cut the number of cities it serves to 77 from 102, and restaff the airline with new pilots or those who cross the picket line.

It said it has "acceptable offers" for some $1.1bn of the assets. So far the total includes $365m for the sale of its Washington-New York-Boston shuttle to Mr Donald Trump, the New York investor, and $85m for its Philadelphia hub, sold to USAir. It has spurned offers to buy the airline intact.

The disposals will allow Eastern to pay off a "substantial amount of debt," satisfy all bankruptcy liabilities and end the year with "substantial cash," Mr Bakes forecast.

Continental improved in the first quarter to a net loss of $16.5m from a net loss of $80.8m a year earlier, on revenues of $1.2bn against $1.1bn.

The airline said that an "excellent operating performance" and the return of business travellers to its flights contributed to its latest set of results.

Volvo increases Hertz stake to 26%

By Anatole Kaletsky in New York

VOLVO, the leading Swedish motor manufacturer, is to increase its stake in Hertz, the world's biggest car rental company, from 20 to 26 per cent. It said it would buy the extra 6 per cent of Hertz's parent company, Park Ridge Corporation, from Ford Motor for $30m in cash.

Volvo bought its initial 20 per cent stake from Ford for $100m in June last year. This was about nine months after the Detroit giant had gained control of Hertz by financing a $1.3bn management-led buy-out.

Hertz had previously been owned by the Chicago-based travel conglomerate, Allegis Corporation. Allegis, whose main subsidiary was United Airlines, sold Hertz to the management-led group. It also disposed of all its other non-aviation interests and subsequently changed its name back to UAL Inc. Ford said at the time of the 1987 buy-out that it intended gradually to reduce its ownership of Hertz from the initial 80 per cent level to a minority stake.

Once the deal, announced yesterday, is completed in June, Ford's ownership of Hertz will be down to about 49 per cent.

Texas chip patent suit settled out of court

By Louise Kehoe in San Francisco

TEXAS Instruments, the US semiconductor manufacturer, has reached an out-of-court settlement of its memory chip patent infringement suit filed last year against Micron Technology, another US chip maker.

Under the terms of the settlement, Micron will pay a $38.2m lump sum to cover past use of TI patented technology plus on-going royalties based on future sales. Micron had set aside reserves of $37.6m in connection with the litigation.

The settlement is the latest in a string of patent agreements reached by TI with its competitors. In 1986-1987, it filed similar suits against one South Korean and eight major Japanese chip producers. At issue in all cases were basic patents relating to dynamic random access memory (Dram) chips, the most widely used type of data storage chips.

Royalties from the patent licensing agreements have provided a new stream of income for TI over the past two years. They totalled $191.2m in 1987 and $123.8m in 1988. In the first quarter of 1989, TI collected $32 in royalties. The lump sum payment from Micron will add about 26 cents in after-tax earnings in the current quarter, TI said.

A significant new element of TI's agreement with Micron Technology is that it includes consideration of TI patents covering plastic packaging of semiconductor chips. Plastic encapsulation of semiconductor chips is widely used throughout the industry, especially for price sensitive chips, such as those used in consumer electronics products.

Key TI patents on this aspect of semiconductor technology were recently validated by an Appeal Court ruling relating to TI's earlier suits against Korean and Japanese chip makers. The court decision strengthens TI's patent portfolio and may become an important issue in a new round of negotiations between TI and its licensees, scheduled to begin later this year. TI has cross-licensing agreements with most major chip makers.

BCED to sell off its US property assets

By David Owen in Toronto and Robert Gibbens in Montreal

BCE Development (BCED), the North American property group controlled by Montreal-based BCE, is to sell off its US real estate assets valued at US$1.4bn.

The decision follows BCED's disappointing recent financial performance and the scrapping of a proposed collaboration with Olympia & York Developments, the Reichmann brothers' main corporate vehicle.

The collaboration would effectively have given Olympia & York a substantial minority interest in BCED.

In addition, Mr Jack Poole, BCED chairman and chief executive, is to resign when a replacement is recruited.

Mr Poole said the decision to auction the remaining US properties was taken because of continuing poor results. BCED will show a C$15m (US$12.6m) loss for the first quarter and may post losses in succeeding quarters. Mr Poole would not predict whether the disposals will show a profit, but he said BCED will concentrate on Canadian development, mostly in Ontario and Quebec.

In 1988, BCED reported net earnings of just C$44,000 on revenues of C$859m, compared with income of C$16.1m on revenues of C$453.7m a year ago.

The properties to be sold consist principally of office towers in Minneapolis, Chicago, Denver and Newport Beach. Many of them were bought in April 1986 when BCED took over Oxford Properties in a deal worth US$1bn.

"The markets in the US Midwest that we got into have been slower than expected to turn around," admitted Mr J.V. Raymond Cyr, BCE chief executive, in an interview with The Financial Times earlier this year.

PepsiCo ahead in all three main divisions

By Karen Zagor in New York

PEPSICO, the world's second largest producer of soft drinks, yesterday reported a sharp rise in first-quarter earnings thanks to strong performances in all three of its main businesses.

Net income for the three months to March 25 was $165.1m or 62 cents a share on revenues of $2.96bn, against earnings of $113.3m or 43 cents on sales of $2.48bn the previous year. The results for the 1988 quarter, which ended March 19, included an after-tax reorganisation charge of $14.5m or 4 cents a share.

PepsiCo's sharpest gain was from its soft drinks division, where operating earnings jumped 45 per cent to $119m, with sales up 11 per cent to $1.05bn. The company attributed the growth to improved operating margins, continued volume growth and the timing of international concentrate shipments. International profits for the quarter doubled, and domestic profits were strong.

At Frito Lay, the snack-food operation, sales increased 12 per cent to $155m but operating income rose 26 per cent to $831m. This was due to margin improvements and improved growth overseas.

At PepsiCo's restaurants, earnings were up 43 per cent to $66m, with sales of $1.07bn, an increase of 27 per cent. Pizza Hut led the pack with earnings growth of 64 per cent to $37m on sales of $515m.

PepsiCo said: "This stellar performance was the result of Pizza Hut's marketing programmes, its rapidly growing delivery business and strong international results." Domestic sales rose by 13 per cent.

Earnings at Kentucky Fried Chicken rose 20 per cent to $17m, while sales jumped 30 per cent to $280m. Domestic profits fell marginally because of higher costs for chicken and labour which were only partly offset by pricing. Domestic sales were up 7 per cent.

Taco Bell's earnings rose 26 per cent to $11m with sales up 29 per cent to $280m.

New Zealand Lion moves into new territory

Dai Hayward on the brewing group's plans to lift foreign sales, starting with a new pub in London

On May 17 Lion Nathan, New Zealand's largest brewing and hotel group, will open a "New Zealand" pub in Parsons Green, London, to help boost the sale of its Steinlager brand of beer in the UK.

Mr Douglas Myers, the company's chief executive – and chief shareholder – says that, while he has no intention of emulating the takeover efforts of Australia's brewery king, Mr Alan Bond, Lion intends to increase substantially its sales in the UK, US and Australia this year.

His company has total assets of NZ$1.8bn (US$1.1bn), and in the five months to last August total sales were more than NZ$1bn, with tax-paid profit of NZ$44.3m.

"We are not prepared to spend billions of dollars trying to buy other breweries – nor will we allow foreign brewers to brew our beer under licence. We believe New Zealand beer must be made in New Zealand. However, we are happy to work with them to enlarge our sales in their markets," says Mr Myers.

Sales of New Zealand beer in Britain jumped more than three and a half times in the past year – from 48,000 cases to 170,000 cases. Still not a lot, perhaps, when divided among Britain's ale drinkers, but a sales agreement with Bass Charrington, the UK's biggest brewer, is expected to lift sales fivefold by 1990. Already 2,000 UK pubs sell Lion beer.

The new, high profile pub in London will be repeated in other cities over the next few years.

Explaining the concept of producing premium beers to be sold at a premium price, Mr Myers pointed to the wine industry, where wine-lovers willingly paid a higher price for what they considered to be a superior wine. If for wine, why not for beer? he asked

In Australia, sales of fine lager beer increased by 91 per cent last year. They were helped by several successful sports promotions, such as the winning of the Round Australia Bicentennial Yacht Race by Steinlager I.

In the US Lion has just signed a three-year national sponsorship contract with the USA Rugby Football Union, which has over 100,000 active players. Sales there are increasing by 37 per cent each year.

Foreign consumption of Steinlager has expanded by 23 per cent each year for the past three years. A deal with Japan's second largest brewer, Asahi, to distribute the brand throughout Japan is expected to increase consumption dramatically among Japanese beer drinkers.

The emphasis on building export markets and wooing foreign drinkers is part of a long-term, carefully planned strategy conceived by Mr Myers some years ago. He realised that changing social conditions and attitudes, along with a slowdown in population growth, would mean virtually static beer consumption at home, so he initiated a programme to maintain and expand the company's turnover and profit.

This included changing the style and image of the New Zealand pub from its large, sterile beer-barn complex to a family attraction with more genteel surroundings and family-type restaurants. This was followed by the introduction of music and entertainment programmes to attract young drinkers.

The most innovative move for New Zealand – where all beer was regarded as beer, distinguished only by different local tastes – was the concept of introducing premium brand beers selling at a premium price.

Explaining this concept, Mr Myers pointed to the wine industry, where wine-lovers willingly paid a higher price for what they considered to be a superior wine. If for wine, why not for beer? he asked.

Steinlager became accepted as Lion's top market brand and the beer to spearhead its export thrust. At home, Lion now has 60 per cent of the market and future growth must be in exports.

Last year, the Lion Corporation merged with the food and property group, L.D. Nathan & Co, which included Woolworth NZ – "a marriage between two of New Zealand's strongest and highly complementary corporations. The merger was carried through on a share-swap basis. It had its problems, being fiercely resisted by Malayan Breweries, which held 20 per cent of the shares in Lion Corporation.

Mr Myers, whose family has been associated with the New Zealand brewing industry since 1860, held 30 per cent. Malayan Breweries was concerned that its shareholding would be watered down.

'We are not prepared to spend ...trying to buy other breweries — nor will we allow foreign brewers to brew our beer under licence. We believe New Zealand beer must be made in New Zealand. However, we are happy to work with them to increase our sales'

Under the new structure, Mr Myers holds 21 per cent of Lion Nathan, L.D. Nathan holds 16 per cent, and Heineken NV – through Malayan Breweries – has 14 per cent. The remaining 49 per cent is mostly in the hands of many individual shareholders.

Despite its original objections and the loss of one of its two board members, Malayan Breweries has not tried to sell its shareholding once the merger was complete. The merger has increased an already strong cash flow from the food and liquor retailing operations of the two companies.

L.D. Nathan brought to the new group its 85 per cent grip on the New Zealand soft drink market. The group now has Coca-Cola, Schweppes, Sprite and Fanta among its extensive brand range.

L.D. Nathan also had a large property subsidiary, and this expertise is being applied to maximise the value of Lion's extensive property holdings. The freeholds of 20 hotels have been sold and another 42 will be sold this year, as the hotel division moves out of owning its own hotels. The group is established in the Australian property market, and is now investigating opportunities for expansion in California.

Measured by market capitalisation, the Lion Nathan Group is one of New Zealand's top half-dozen listed companies, but Mr Myers argues that, measured by domestic sales, it is now the country's largest public company.

Foreign banks buy 25% of XIB

THREE FOREIGN banks have bought a 25 per cent stake in Xiamen International Bank (XIB), China's only joint venture bank, Reuter reports from Peking.

The investment by the Long-Term Credit Bank of Japan (LTCB), the Asian Development Bank (ADB)and First Interstate Bank of Hawaii (FIBH) will take the share capital of XIB to HK$560m (US$72m) from its original HK$420m, the agency said, quoting a report in the Financial News.

After the investment, LTCB and ADB will each hold 10 per cent of the bank's capital and FIBH 5 per cent, LTCB said. "We see trade between Hong Kong and Fujian [a Chinese province] developing rapidly and want to serve it."

The original shareholders were the Fujian branch of the Industrial and Commercial Bank with 25 per cent, Fujian Investment Industrial Group with 16 per cent, Xiamen Special Economic Zone Construction and Development Co with 10 per cent and Minxin Holdings of Hong Kong with 49 per cent.

ANI shares drop below offer price

By Chris Sherwell in Sydney

RENEWED investor concern over Australian National Industries (ANI), the large engineering group embroiled in the collapse of a fringe finance house, has sent its shares below the A$1.40 level contained in a partial offer by entrepreneur Mr Kerry Packer.

In heavy trading yesterday, the group's share price slipped to A$1.35. Although this is still above the low point of A$1.06 seen last month, the weakness reflects deepening worries about ANI, which owns several companies such as the Aurora engineering group in the UK.

The selling follows a series of extraordinary allegations made before the Victorian Supreme Court by the National Companies and Securities Commission (NCSC), Australia's watchdog of the stock exchange.

Two senior ANI executives are said to have participated in attempts to disguise the financial woes of the Spedley group, which was placed under provisional liquidation last month.

The two – Mr Neil Jones, executive chairman and managing director, and Mr John Maher, finance director – have denied the allegations, which relate to the period from the October 1987 crash to earlier this year.

ANI's involvement stems from its 45 per cent holding in Spedley, which it decided to sell earlier this year in a transaction still to be settled, and a continuing exposure to Spedley amounting to at least A$196m (US$156m).

This includes A$28m in an advance to Spedley secured by shares, and A$165m in bills of exchange endorsed by GPI Leisure, another quoted company, which disputes the validity of its endorsement.

The two Spedley companies – Spedley Holdings and its associate, Spedley Securities – are part of a sprawling business empire which was controlled by entrepreneur Mr Brian Yuill through his private company Greater Pacific Investments (GPI).

GPI also holds 30-35 per cent of GPI Leisure, whose main asset is a 49 per cent holding in Austotel. This company in turn owns pubs servicing Mr Alan Bond's brewing empire.

Since the appointment of a provisional liquidator at the two Spedley companies, other companies in the Yuill empire have had their shares suspended – among them Bisley Investments, Tulloch Lodge and BT Insurance.

Also the related money market dealer, First Federation Discount, has had its lucrative licence cancelled by the Reserve Bank, and the Perth company West Coast Holdings has been placed in receivership.

In an opportunistic attempt to exploit the confusion over ANI, Mr Packer's Consolidated Press Securities picked up a 20 per cent holding last week and, in a bid valuing the group at A$750m, announced that he would acquire all shares offered to him for A$1.40 for one month from May 8.

But in a surprise development on Thursday, the NCSC went to the courts for the appointment of a receiver to both GPI Leisure and GPI, even though neither company was evidently in default.

The NCSC's supporting affidavit to the court offered details of transactions which, it made clear, were aimed systematically at disguising the true state of Spedley's finances.

By yesterday, press and television reports of these breathtaking dealings had encouraged shareholders to sell before Mr Packer's offer commenced. Mr Packer is not buying so that his offer will look more attractive.

Last night GPI Leisure was said to be talking to the NCSC in an attempt to reverse the receiver appointment, arguing that it should not have been permitted and had weakened the company. Its chances of success were unclear.

The controversy is important not just because of its impact on ANI, one of Australia's best known companies, but also because of the dubious accounting manipulations which went undetected within the Yuill empire. Criminal charges seem probable.

In also seems evident that there were substantial links between the Spedley group and the Rothwells finance house, which folded late last year in another celebrated Australian collapse brought on by the October 1987 crash.

Mr Yuill, the key figure behind the Spedley group, is a long-time friend and business associate of Mr Laurie Connell, the man behind Rothwells. It has also been noticed that both men are close to Mr Bond, whose empire is also under severe pressures.

Hindalco set for Rs500m gain

By Gita Piramal in Bombay

FOR HINDUSTAN Aluminium Corporation (Hindalco), the sheen is back on aluminium.

The company, with sales of Rs3.5bn ($223m), is part of the highly diversified BK-AV Birla group, which has turnover of Rs25.66bn and is one of India's five aluminium producers. It is riding high on the Rs500m cash gain it will make as a result of a dramatic change in the Indian Government's aluminium policy.

Until the last budget, presented on February 28 1989, strict government controls operated on the three public sector and two private aluminium manufacturers. Not only did the Government reserve the right to fix the selling price of this important material but it also controlled sales.

Such controls, in effect, gave a raw deal to efficient units instead of rewarding them for better performance. Since the introduction of these controls in 1967, Hindalco has been handicapped by this government policy.

The company produces aluminium at a cost [retention price] which is lower than the officially fixed retail price. It had to deposit part of the difference between the retention price and retail price in a government-run fund called the aluminium regulation account (ARA).

This fund was used by the Government to subsidise those manufacturers whose production costs were higher than the sale price.

The Government has now not only decontrolled prices, but also abolished the ARA.

Producing 125,000 tonnes of aluminium last year, Hindalco, which has approximately 32 per cent market share, would have contributed almost Rs4,000 per tonne or a total of Rs500m towards the ARA.

Mr Askaran Agarwala, president of Hindalco, says: "This is a step in the right direction, though the Government could have moved a little earlier. For the last 15 years, the return on capital has not exceeded 3 per cent. We could not generate funds to modernise and we were becoming cost inefficient."

With better profitability, the company is gearing itself to improve the situation. A Rs2bn modernisation programme spread over the next two years has been drawn up.

It is also investing Rs750m on an aluminium foil plant which will manufacture a high-value consumer product using Hindalco's primary metal. Government approvals have already been received for these.

The company has also applied to the Government to increase its production of aluminium ingots from the present capacity of 150,000 tonnes a year to 250,000 tonnes a year and to triple its production of downstream products.

This will require fresh capital investment of Rs12bn, "but allowing us to expand at our present location [at Renukoot in the state of Uttar Pradesh] will still be much cheaper than setting up a greenfield plant," says Mr Agarwala.

Share prices reflect the upward trend in the company's fortune. Listlessly traded at Rs155 in January, the price of Hindalco's Rs10 share has more than doubled and is currently quoted at Rs320.

Taiwan ministry approves takeover of Heng Lung

THE TAIWAN Finance Ministry has approved the Taipei-based Overseas Chinese Commercial Banking Corp's plan to acquire Heng Lung Bank of Hong Kong, Reuter reports from Taipei.

Mr Chen See-Ming, director of the ministry's monetary department, said that, if successful, the acquisition would serve as a bridge for trade between Taipei and Peking once the British colony reverts to China in 1997.

"The Government encourages . . . local banks to branch out overseas so that they can be helpful in our trade with other countries," Mr Chen said.

The ministry was also considering allowing Hong Kong banks to set up branches in Taiwan through reciprocal arrangements, he added. "If Hong Kong allows our banks to operate, we will give them the same treatment."

However, Overseas Chinese declined to comment on the bid. It would say only that the bid would increase its capital to T$10bn from the present T$2.6bn (US$95.6m).

Overseas Chinese was established in Taipei in 1961, with 60 per cent of its capital invested by overseas Chinese businessmen from Hong Kong and south-east Asian countries. The rest of the investment came from Taiwanese banks.

INTERNATIONAL CAPITAL MARKETS

Taking the tax strain out of foreign mergers

By Norma Cohen

When a corporation's operations and shareholder base straddle several continents, figuring out how to minimise the tax burden, encompassing several conflicting national schemes, is a challenge.

And devising cross-border merger schemes that reduce taxation for UK companies and their foreign shareholders would seem essential for any company wishing to expand beyond its own borders.

For UK corporations, the particular challenge is how to get the most out of advance corporation tax (ACT), a singular tax designed to reward companies for distributing their profits to shareholders rather than retaining them.

The tax works like this: for every £75 ($126) in dividends a company distributes, it pays, say £25 in ACT. Then, when the Inland Revenue tots up the company's tax bill for the year, it deducts the amount paid in ACT. Furthermore, UK-based investors may also claim that same ACT as a tax credit, resulting in after-tax dividends of £100.

However, while the tax offers lots of benefits for UK corporations with largely domestic operations and shareholders, the minute a company expands extensively abroad, ACT loses its charms. For instance, if a company has foreign operations and profits, and is subject to overseas taxes, it may not offset those taxes against the ACT it pays in the UK.

Furthermore, its non-UK shareholders may not claim the ACT tax credit, so the company will actually have to pay out £100 in dividends in order for its foreign shareholders to earn the same returns as its domestic investors.

Now, Morgan Guaranty and Goldman Sachs have designed securities for the planned merger of UK-based Beecham and US-based SmithKline Beckman that they say can maximise tax benefits on both sides of the Atlantic, resulting in both higher corporate profits and higher returns for investors.

Furthermore, officials at both firms say the securities need not be used only for cross-border mergers. They can be sold as new securities to raise fresh capital outside the domicile of the issuer.

In the case of SKB, the use of the securities allowed Beecham to equalise the after-tax returns paid to shareholders on both sides of the Atlantic.

Under terms of the merger, each Beecham share is traded in for one share in the new company plus £1.75 of three-year floating rate loan stock. SmithKline shareholders receive four instruments: one share in the new company; one share in Allergan, a US subsidiary which is being spun off to shareholders; a share in Beckman Instruments; and $5.58 in cash. However, what is unusual is that the share in the new company is in fact two securities attached to each other. One side of the share certificate is for the new company; the reverse a preferred share in the US subsidiary.

The securities are inseparable from each other and the presence of the preferred share allows dividends to be paid through the US subsidiary.

According to Mr Francis Sandison, tax partner at Freshfields which advised on the merger, Beecham had been unable to use up all its ACT. However, under the merged structure, it would have been paying more dividends and its unusable payments of ACT would have had to be deducted from profits.

In addition, Mr Sandison said, had US shareholders been paid dividends directly by the newly created company, based in the UK, they would have had to pay full tax on dividends they received. However, if they earn those dividends from a US company, there is a 70 per cent tax deduction available.

To be fair, staple security has been used before.

Freshfields designed a staple securities structure to raise fresh capital for UK-based Gestetner, which has a substantial presence in Australia and a large investor base there. In that case, investors bought Gestetner common stock which was attached to a share in the company's Australian operations. The Australian share had a nominal value of one cent and allowed the investor to be paid dividends from the Australian subsidiaries, thus taking advantage of domestic tax breaks.

Waterford Wedgwood has also used a staple security for its merger in which shareholders in the merged company are allowed to receive dividends either from Irish-based Waterford in Irish pounds or be paid dividends in sterling from the UK-based Waterford Wedgwood.

Canadian dollar issues enliven light trading

By Andrew Freeman

LIGHT TRADING on Eurobond markets yesterday was enlivened by two issues in the Canadian dollar sector which aroused contrasting comments from syndicate managers.

INTERNATIONAL BONDS

A C$125m deal was launched for Shell Canada by Wood Gundy. The five-year bonds came with a coupon of 11 per cent and were priced at 101½ to yield some 60 basis points over the equivalent Canadian government bonds.

The deal met a favourable reception from traders who said the initial pricing gave nothing away but fell into pockets of investor demand. The lead manager was quoting the paper at less 1.80 bid, just inside underwriting fees of 1⅞ per cent.

By the end of trading, the price had improved to less 1.75 bid, indicating steady demand. Institutional buyers are expected to hold the paper in the short term before it is placed with retail accounts in Europe. There was speculation that the proceeds were finally swapped into fixed-rate US dollars.

A zero coupon C$75m deal was brought by WestLB Bank for its subsidiary WestLB International (Luxembourg). The five-year bonds were priced at 60.50 per cent on an interpolated yield to maturity, offering some 61 basis points over Canadian Treasuries.

The lead manager said that without the currency option, the launch spread of a similar zero coupon deal would have been around 25 basis points, implying an option value of some 35 basis points.

This aroused considerable comment among syndicate officials who said investors should have been offered a much larger pick-up. However, the lead manager said the deal was partly designed to satisfy specific German demand.

The bonds were quoted at less 1.30 bid, technically inside underwriting fees of 1⅝ per cent. However, many traders said they were not making a price. The proceeds were swapped into floating-rate US dollars.

Elsewhere, Mitsubishi Finance issued a Y10.6bn deal for Qantas. The 10-year bonds carried a 5.20 per cent coupon and were priced at 102 per cent. Pre-placement in the Far East makes it unlikely that the deal will be widely traded.

Nomura International was the lead manager of a $300m equity warrant deal for Furukawa Electric, which came with an indicated coupon of 4⅛ per cent. The deal was quoted at 104 bid, a sharp premium to the par issue price.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Furukawa Elec.Co.‡	300	(4⅛)	100	1993	2¼/1½	Nomura Int.
Flash‡†(b)	30	0.15bp	100.10	1993	10bp	Sanwa Int.
CANADIAN DOLLARS						
West LB Int.(Lux)♦(c)	75	0	60.50	1994	⅞/½	West LB
Shell Canada♦	125	11	101½	1994	1⅞/1¼	Wood Gundy
YEN						
Qantas Airways♦(a)	10.6bn	5.20	102	1999	1⅞/1¼	Mitsubishi Fin. Int.

♦Final terms. ‡With equity warrants. †Floating rate note. a)Redemption starts November 1992 with 13 semi-annual instalments of Yen 742m. b)0.15bp over 3-month Libor. c)Option to redeem bond in D-Marks at maturity at a rate of DM1,594.20 per C$1,000.

Japan amends rules on issue of CBs

JAPAN'S finance ministry has accepted rules put forward by banks and securities firms to govern the issue of shogun and samurai convertible bonds (CBs), Reuter reports.

Securities firms and banks will base regulations for such issues on those for domestic unsecured convertible bonds, the ministry said. The rules are effective now but several matters remain to be solved, notably how to decide issue terms and coupons, and disclosure rules.

These matters could be settled as issue requests emerge, the ministry said, but so far there have been no such requests. To issue such instruments, securities firms must have a minimum single-A credit rating. Firms with triple-B ratings will also be allowed if their net assets are above Y33bn ($248m).

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on May 2

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
B.F.C.E. 7 92	150	[illegible]	[illegible]	[illegible]	[illegible]	9.97
B.F.C.E. 9⅛ 95	250	[illegible]	[illegible]	[illegible]	[illegible]	9.84
Brit. Tel. Fin. 9⅞ 98	250	[illegible]	[illegible]	[illegible]	[illegible]	9.83
Campbell Soup 10⅞ 95	100	[illegible]	[illegible]	[illegible]	[illegible]	10.17
Canada 9 96	1000	[illegible]	[illegible]	[illegible]	[illegible]	9.35
Canadian Pac. 10⅞ 98	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	10.11
C.C.C.E. 9⅛ 95	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.82
C.N.C.A 9⅛ 98	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.87
Credit Lyonnais 9 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	10.06
Credit National 8⅞ 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.87
Credit National [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.95
Credit National [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.59
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.99
Denmark 7⅞ 94	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	10.11
E.C.C. 7⅞ 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.81
E.E.C. 9⅝ 97	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.84
E.E.C. 10 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.75
E.I.B. 9⅝ 97	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.80
Export Dev. Corp. 9⅝ 96	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.74
Elec.De France 9 98	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.75
Finland 7⅞ 97	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.80
Fins. Exp. Cd. 8⅛ 92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.81
Fins. Exp. Cd. 9⅛ 95	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	10.10
Ford Motor Credit 8 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.97
Ford Motor Credit 10 92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	10.34
Gen.Elec.Cap.Corp. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.88
Gen.Elec.Cap.Corp. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.93
Gen.Mtrs.Corp. 9⅝ 92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.94
IBM Credit Corp. 8⅞ 92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	10.14
IBM Credit Corp. 9⅛ 92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.89
Italy 9⅝ 98	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.90
Italy 9⅝ 99	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.85
L.T.C.B of Japan 8⅝	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.88
L.T.C.B of Japan 9⅛ 92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	10.27
Metropolis Tokyo 9⅛ 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.83
Nippon Tel.&Tel. 9⅞ 95	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.80
Norway 8⅛ 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.79
Portugal 8⅛ 97	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.83
Prudential Cap. 8⅛ 94	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	10.44
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.68
State Bk S Aust 9⅛ 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	10.09
Sumitomo Bank 9⅛ 92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	10.03
Swed Exp Cred 7⅛ 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.92
Sweden 7 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	10.04
Sweden 8⅛ 96	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.72
Sweden 8⅛ 92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.85
Toyota 9⅛ 92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	10.07
Victorian Rep 11⅛ 92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	10.21
World Bank 7 97	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.79
World Bank 8⅝ 97	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.73
World Bank 9⅝ 97	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.58
World Bank 9⅝ 98	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.73
World Bank 9⅝ 99	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.73

Average price change... On day -0⅛ on week -0⅛

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. Bk. 6 94	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.93
Austria 6⅛ 99	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7.09
Bank of Tokyo 5⅜ 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.66
Commerzbank o/s 5⅞ 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.86
Credit Foncier 6⅞ 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	8.10
Degussa Int. 6⅛ 97	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.90
Denmark 6⅛ 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7.04
E.I.B. 6 94	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7.06
E.I.B. 6⅛ 98	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7.01
E.I.B. 6⅞ 94	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7.07
E.I.B. 6⅞ 98	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.89
Euro.Coal&Steel 5⅞ 97	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7.05
Eurofima 6¼ 97	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7.00
Elec.De France 5⅛ 97	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.77
Finnish Ind. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7.08
Hydro-Quebec 6⅞ 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7.09
Japan Dev. Bk 6⅛ 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.62
Japan Finance 5⅞ 97	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7.03
Ireland 6⅛ 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7.00
Malaysia 6⅞ 94	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.54
Nat. West. Bk. PLC 6 98	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7.04
N.R.L. Finance 6⅛ 95	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.97
Nippon Tel.&Tel. 6 95	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.36
Oesterr. Kontbk 5 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.70
Portugal 5⅞ 92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.35
Portugal 6⅛ 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.87
Privatbanken 5⅞ 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7.01
Rhein Westfalen 6⅞ 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.65
Soc Gen Nuclear 7⅛ 95	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7.04
Turkey 6⅛ 95	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7.37
Union Bk. Finland 5⅞ 94	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.93
Westlb. Finance 5 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.98
World Bk. 6⅛ 97	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7.41

Average price change... On day -0⅛ on week -0⅛

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
African Dev. Bk. 5 96	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.55
Airtrag 5 03	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.89
B.F.C.E. 4⅞ 95	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.84
B.M.W.Fin.Neth. 5 13	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.97
Britannia B/S 4⅞ 94	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.96
CBI Int. W/W 5 [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.05
Credit Lyonnais 4⅞ 09	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.29
E.I.B. 4⅞ 98	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.04
Fletcher Chall. 4⅞ 98	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.62
Kobe City 4⅞ 98	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.92
Leeds Perm. B/S 4⅞ 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.29
Malaysia 5⅛ 95	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.12
Maxwell Comm.Corp. 5 95	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.87
Mgt. Bk. Hungary 5⅞ 94	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.28
Nationwide Ang. B/S 4⅞ 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.18
Nippon Tel.&Tel. 4⅞ 95	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.44
Oesterr. Ktrlbk. 5 03	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.73
Pres. Newfoundland 5 03	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.99
Thailand 4⅞ 95	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.48
World Bank 5 03	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.09

Average price change... On day +0 on week -0⅛

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Canada 6⅛ 91	80	101⅝	101⅞	-0⅛	-0⅛	5.07
Canada 5⅝ 93	80	101¾	102	0	0	5.11
Eurofima 5 1995	20	99	99½	-0⅛	+0⅛	5.15
E.I.B. 4⅞ 93	30	98⅝	99	-0¼	-0⅛	5.24
Ireland 5⅛ 93	30	99¾	100¼	0	0	5.12
Norway 5⅛ 95	50	99⅞	100⅛	0	0	5.12
Sweden 4⅝ 93	50	98	98¼	0	+0⅛	5.15
World Bank 5⅛ 98	10	98¼	99⅝	-0⅛	+0⅛	5.27
World Bank 7 94	20	107⅝	108⅛	-0⅛	-0⅛	5.17

Average price change... On day -0⅛ on week 0

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey Nat. BS 10¼ 93 £	50	95	95⅜	-0⅜	+0¼	11.90
Abbey Nat. 11⅝ 95 £	100	98¼	98¾	-0¼	+0⅝	11.94
Alg. Bk. Ned. 5½ 92 FL	150	95½	96	0	0	7.22
Alg. Bk. Ned. 5¾ 93 FL	200	96¼	96¾	+0⅛	0	6.80
Austria 7½ 94 ECU	100	95⅛	95⅝	-0⅛	0	8.69
Bk.Nova Scot.14⅝ 90 AS	75	96	97	0	+0¼	16.90
Barclays Aus.13½ 91 AS	100	98	98⅝	+0¼	+0¼	14.34
Belgium 8⅛ 94 Ecu	150	97¼	97¾	-0¼	-0⅛	8.77
BP Capital 9¾ 93 £	100	94	94⅜	-0¼	+0⅝	11.68
British Airways 10 98 £	100	91⅝	92⅛	-0⅜	+0⅝	11.50
Buhrmann-Tet. 6⅜ 93 FL	100	97	97½	0	-0¼	7.14
Comm.Bk.Aust. 12⅝ 93AS	100	†92⅜	92¾	+0⅛	-0⅜	15.17
Coop.Ctr.Rabo.6¼ 93 FL	100	98¾	99¼	+0⅛	+0¼	6.55
Cr.Local France 9¼ 92Ecu	100	101¼	101¾	-0⅛	-0⅛	8.66
Deut.Bk.Aus. 13⅜ 93 AS	125	†99½	100	-0⅜	+0⅝	13.39
Eastman Kodak 13 90 AS	100	†95⅜	95¾	+0⅜	+0⅝	16.78
E.I.B. 7 96 LFr	100	97	98	-0⅜	0	7.50
Elec. France 10¼ 95 C$	125	†98⅛	98⅝	0	+0⅝	10.62
Eurofima 7⅝ 94 Ecu	100	96⅛	96⅝	-0⅜	-0¼	8.57
Fed.Bus.Dv.Bk.9¾ 92 C$	75	†96¾	97¼	0	0	10.93
Fed.Bus.Dv.Bk.10½ 93C$	50	98⅜	98¾	+0⅛	+0¼	10.94
Ferrv. Stato 7¾ 93 Ecu	100	95⅞	96⅜	-0⅛	-0⅛	8.91
Ford Cr.Can.10¾ 93 C$	100	†98⅝	99⅛	0	+0⅛	11.10
Ford Cred.Can.10⅞ 96C$	125	98¾	99⅜	-0⅛	0	11.08
Ford Mtr.Cred.7⅞ 93Ecu	100	96¾	97⅜	0	-0⅛	8.83
G.M.A.C. 9¾ 93 C$	150	†95½	96	0	0	11.12
Hydro-Quebec 11 99 C$	400	100⅜	100⅝	0	+0⅝	10.90
Lloyds Bank 10¼ 98 £	150	92⅝	93⅛	-0⅜	+0⅝	11.56
Lloyds Bank 11¾ 98 £	100	96½	97	-0⅜	+0¾	11.93
Montreal Tst.10¾ 93 C$	100	†97⅞	98⅜	0	0	11.31
Morgan Guar.Tst. 11 91 C$	150	99½	100⅛	-0⅛	+0⅛	11.09
Nat. Aus. Bk. 14¾ 94AS	100	†99	99½	0	0	14.93
Ned.Midd.Bank 6 92 FL	150	97¼	97¾	+0⅛	+0¼	6.97
New Zealand 9½ 93 £	100	92⅞	93¼	-0¼	+0½	11.80
Philips Gleoil. 6 93 FL	300	96⅝	97⅛	-0⅛	-0⅝	6.86
Privatbanken 7½ 94 LFr	500	98	99	-0¼	0	7.87
Royal Bk.Scot.10⅝ 98 £	125	94⅝	95⅛	-0⅜	+0½	11.62
Saskatchewan 9⅞ 91 C$	150	†97⅝	98⅛	0	+0⅛	10.96
Saskatchewan 10¼ 93 C$	200	97⅝	98⅛	0	+0¼	10.83
State Bk.NSW. 13⅞ 93AS	100	†96½	96¾	+0⅜	+1	14.87
Sweden 15 94 AS	100	†102¾	103¼	+0¼	+0⅞	14.08
Union Bk. Switz. 7½ 93	150	†96⅛	96⅝	+0⅛	+0⅛	8.47
World Bank 5¾ 92 FL	100	98	98¾	-0⅛	+0⅛	6.47
World Bank 13⅞ 92 AS	100	†100½	101	0	0	13.02

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn
Alliance & Leic.Bld 94 £	.08	99.85	99.90	18/07	13.21
Bank of Greece 99 US	0¼	99.31	99.42	8/09	10.62
Belgium 91 US	0	100.15	100.25	19/08	10
Chelt.& Gloucester 94 £	.063	99.81	99.86	30/05	13.47
Credit Foncier 98 US	.063	100.08	100.18	20/10	10.16
EEC 3 92 DM	0	100.72	100.81	20/08	6.72
Halifax BS 94 £	.1	99.96	100.01	6/05	13.07
Iceland 94 US	†.15	99.87	99.97	18/05	5¼
Invt. in Industry 94 £	0⅛	99.99	100.09	24/05	13¼
Leeds Perm. B/S. 94 £	0⅛	100.07	100.12	13/07	9.19
Midland Bank 01 £	.1	98.05	98.38	7/05	13.1
Milk Mkt. Brd. 5 93 £	0⅛	99.90	99.95	30/12	12.06
New Zealand 5 97 £	.07	100.05	100.15	14/11	12.19
State Bk. Nsw. 98 US	.188	100.27	100.37	11/08	9.94
Woolwich Equit. BS. 93 £	0⅛	100.02	100.07	13/07	13.37
Woolwich 5 95 £	0⅛	99.99	100.04	19/05	13.12

Average price change... On day +0.00 on week +0.04

CONVERTIBLE BONDS	Cnv. date	Cnv price	Bid	Offer	Chg. day	Prem
Alcoa 6¼ 02 US	8/87	62.	113⅜	114¼	-0⅜	12.39
Amer. Brands 7¾ 02 US	9/87	56.7	121¾	122¾	+1¾	2.31
Ashikaga Bank 2⅛ 02 US	4/87	967.	135⅜	136⅜	-3⅝	4.89
Asics 5 92 DM	12/83	472.7	256½	257⅞	+3⅞	2.06
CBS. Inc. 5 02 US	4/87	200.	101¼	102¼	-0¼	4.23
Primerica 5½ 02 US	†4/87	66 75	65½	66½	-0⅛	108.50
Eng.China Clay 6½ 03 £	9/88	4.8	110	111	0	0.53
Fujitsu 3 99 US	5/84	1106.	219½	221	+1⅛	-0.34
Land Secs. 6¾ 02 £	6/87	6.72	95	96	0	12.99
MCA INC 5½ 02 US	9/87	69.62	93⅛	94¼	-0¼	15.53
Minolta Camera 2¼ 94DM	2/86	1004.	115¼	116⅛	-2	3.72
Mitsubishi Bk 1¾ 02 US	9/87	3157.	120⅛	121¾	-0⅛	9.29
Mitsui trust 2⅞ 01 US	10/86	1909.	125	126	-0⅝	5.21
Next Plc 5¾ 03 £	11/87	4.3	98¾	99⅜	+0⅞	195.25
Nishi Nipp.Bk.2⅞ 03 US	4/88	804.	119	120	-2	5.58
Onoda Tateisi 2⅞ 02 US	4/87	1310.	234½	236¼	+0½	1.52
Ranks Hovis 4¾ 03 £	1/88	3.5	109⅛	110⅛	-1⅞	3.98
Redland 7¾ 02 £	1/87	5.4	102⅛	103⅛	+0⅛	4.03
Saatchi&Sichi 6¾ 03 £	†10/89	4.41	92	93	0	44.65
Sumitomo Bank 3¼ 04 US	2/89	4296.	91¼	92⅛	-0⅛	18.39
Texas Inst. 2⅞ 02 US	9/87	82.87	73½	74⅛	+0⅛	52.56
W.R. Grace 6¼ 02 US	9/87	42.12	92	93	-0⅞	23.00

* No information available-previous day's price

† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week = Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte = Date next coupon becomes effective. Spread = Margin above six-month offered rate (three-month; §above mean rate) for US dollars. C.cpn = The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day = Change on day. Cnv date = First date of conversion into shares. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

The prices over the past week were supplied by: Bankers Trust International; Kredietbank N.V.; Commerzbank AG; Deutsche Bank AG; Westdeutsche Landesbank Girozentrale; Banque Generale du Luxembourg SA; Bank Internationale Luxembourg; Kredietbank Luxembourg; Algemene Bank Nederland NV; Pierson, Heldring & Pierson; Credit Suisse; Bank of Tokyo International; Chemical Bank International; Citicorp International Bank; Daiwa Europe NV; LTCB International; Robert Fleming & Co; Goldman Sachs International Corporation; Hambros Bank; IBJ International; Merrill Lynch; Morgan Stanley International; Nikko Securities Company (Europe); Nomura International; Sanwa International; Samuel Montagu & Co.; Societe Generale Strauss Turnbull; Swiss Bank Corporation; UBS-Phillips & Drew; S.G. Warburg Securities; Wood Gundy

INTERNATIONAL CAPITAL MARKETS

Treasuries recover due to low oil price and steady $

By **Janet Bush** in New York and **Katharine Campbell** in London

US TREASURY bonds yesterday recovered modestly from their setback on Monday, due to lower oil prices, a recovery in the dollar after lows in the Far East on Bank of Japan intervention and a positive interpretation of an annual outlook from US purchasing managers.

GOVERNMENT BONDS

At midsession, long-dated maturities were quoted as much as ¾ point higher after losing around ¾ point on Monday. The yield on the Treasury's benchmark long bond fell back to 8.95 per cent. Trading was subdued as dealers were cautious prior to today's release of the US Federal Reserve's Tan Book reviewing the state of the economy and Friday's April unemployment data.

The purchasing managers' report published yesterday is an outlook for the next year as opposed to a review of April which was released on Monday and sent bonds lower because of a rebound in growth over March.

Yesterday's report suggested that growth would be stronger in 1989 than in 1988 but that inflation would be lower. Purchasing managers projected a net average price increase of 3.8 per cent this year, down from 5 per cent in 1988.

While the combination of higher growth and lower inflation appears to be a contradiction in terms, particularly so late in the business cycle, the bond market appeared to put a positive gloss on the report, helped by a steady dollar and lower oil prices.

Economic news yesterday had little impact. US factory orders rose 0.7 per cent in March compared with a revised fall of 2 per cent in February, while single family home sales slumped 5.5 per cent in March.

TRADING ACROSS Europe was generally subdued yesterday, after prices were marked down early in line with Monday's sharp sell-off in the US. With several Continental markets closed tomorrow for the Ascension Day holiday, most ears are attuned to the American employment data due to be released on Friday.

Monday's panic selling in the Dutch bond market sparked by the domestic political crisis continued early yesterday, but when the latest state loan traded as low as 98.30, professional bargain hunters were attracted in sufficient number to drive the price back up to 98.60, 15 cents above the previous day's close.

The market now awaits the outcome of yesterday afternoon's parliamentary debate on the financing of the controversial pollution plan that has provoked a deep split in the ruling coalition.

A WEAKER overnight US Treasury market and the early strength of the dollar combined to drive down German bond prices some 40 pfennigs at the official fixing. The most recent federal bond due 1999 was priced at 100.80, 40 pfennigs lower than Friday to yield 6.87 per cent.

Also depressing the market was the announcement of a new 10-year federal bond, terms of which will be set next Monday. Traders were anticipating a 7 per cent coupon – anything less would be tough to sell in current conditions – priced from 100.75 to 101.

Results of the US-style repurchase tender were much in line with expectations and so had little effect on prices.

UK GILT-EDGED securities were marked down around half a point at the opening, following New York's fall on Monday, but hardly traded for the rest of the day. On Liffe, the June long gilt contract closed at 95-15 compared with 96-01 on Friday.

Prospects for Friday's reverse auction are at least partly dependent on events across the Atlantic. In the absence of much economic data on the home front, the US employment statistics take on added significance. If they are stronger, triggering a fall in bond markets either side of the ocean that day, it is argued that investors might be readier to part with their high-coupon stocks at the Bank of England's buy-in. However, the absence of withholding tax on one of the three auction candidates – the 15½ per cent 1998 – means that the Bank's purchases will probably be concentrated among the other two.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		13.500	9/92	106-25	-7/32	11.04	11.15	10.95
		9.750	1/98	96-27	-11/32	10.30	10.37	10.21
		9.000	10/08	97-09	-11/32	9.30	9.37	9.24
US TREASURY *		8.875	2/99	98-16	+6/32	9.11	9.11	9.21
		8.875	2/19	98-30	+8/32	8.98	8.95	9.06
JAPAN	No 111	4.600	6/98	95.3095	-0.233	5.38	5.30	5.14
	No 2	5.700	3/07	105.9102	-0.200	5.07	5.05	4.99
GERMANY		6.375	11/98	96.3000	-0.280	6.91	6.82	6.96
FRANCE	BTAN	8.000	1/94	96.7518	-0.016	8.85	8.97	9.02
	OAT	8.125	5/99	95.6750	-0.275	8.78	8.78	8.91
CANADA *		10.250	12/98	100.7500	-0.250	10.12	10.18	10.37
NETHERLANDS		6.7500	10/98	97.1250	-0.300	7.17	7.10	7.13
AUSTRALIA		12.000	7/99	92.7408	+0.164	13.30	13.36	13.74

London closing. *denotes New York morning session
Yields: Local market standard Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

Daiwa acquires seat on Amex

DAIWA Securities America has become the first Japanese securities firm to acquire a seat on the American Stock Exchange (Amex), Reuter reports.

Daiwa expects to use its seat to find merger and acquisition opportunities.

Ifox sets date for electronic trading

By **Katharine Campbell** in London

IFOX, the Irish Futures and Options Exchange, has set May 29 to begin live trading on its electronic futures dealing system, a few weeks later than planned due to technical difficulties.

Also in Dublin, the European Mercantile Exchange, presumed dead since a second round of capital-raising foundered at the end of last year, is engaged in a low-profile, last-ditch attempt to sell more seats in the US.

The two ventures could not be more different in style and it is the less ambitious, domestically orientated Ifox that will be first off the starting blocks in what will probably be a lonely race. The EME's bid for a Chicago-style open outcry international market on Irish soil appeared presumptuous to many from the start.

Ifox's three initial contracts, all domestic products, are a notional 20-year Irish gilt-edged government bond future, a three-month Irish pound short interest rate future, and an Irish pound versus US dollar currency future. Other products, including options, will be introduced later.

Simulations, with trading software from ICCH, the London-based international clearing house, and clearing systems developed by Ifox, have not been without teething problems. ICCH's new electronic trading device is a vastly updated version of the software first installed in the New Zealand futures exchange in 1985.

"Putting the system through its paces" has, according to one broker, been something of a "pyrotechnics display."

Meanwhile, directors of the EME are attempting to sell 40 further memberships in the US, a more modest capital-raising attempt than last autumn's fiasco, which aimed to sell a total of 200 seats.

The seats are priced at I£25,000 ($35,000). Mr Ian Craigie, an EME director, said the aim was to raise a further I£2.5m by an underwriting syndicate currently being arranged.

Change unsettles small investors

George Graham on the abolition of fixed commissions in France

At the beginning of July, France's stock market will take another step along the road of modernisation and reform with the abolition of its official tariff of fixed commissions.

A few brokers, veterans of the bloodbath that followed the end of fixed commissions in London and New York, are looking around warily in anticipation of a price-cutting war among companies seeking to increase their share of the institutional investor market.

Many French brokers point a finger at the firms owned by British institutions, such as James Capel's DLP, Warburg's Bacot-Allain or Barclays' Puget-Mahe, although these affirm hotly that they will not be the first to start price-cutting.

For the moment, institutions are showing little sign that they will soon be charging lower fees. "Everyone is expecting pressure to build up on commissions and they are preparing for that, but we haven't yet experienced it," said the head of one major broking firm.

This is partly because commissions are in practice already almost free from control. The stock exchange lays down a tariff, with rates on equity transactions ranging from 0.65 per cent for bargains below FFr600,000 ($95,000) to 0.215 per cent for bargains above FFr2.2m ($346,000).

However, brokers may pass back a "retrocession," in theory regulated but in practice almost freely negotiated. Retrocessions may be given only to banks, but in practice almost every institution has some way of taking advantage of them. For many foreign institutions, for example, a retrocession amounting to 35 per cent of the commission goes to the bank that carries out custodianship services for it – which in turn does not bill for these services.

Several large brokers dealing mostly with institutions now say that their average commission level is between 0.2 and 0.28 per cent.

"The current level of commissions seems to me satisfactory," says Mr Yves Vlieghe, director of Banque Arjil. "All big institutions can already negotiate a retrocession or a commission trap of some form. When it is simply a put-through, we negotiate very hard for retrocessions, but when there is a real service you must pay for it."

Other institutions are in no hurry to press for lower commissions, for fear of driving to the wall the brokers in which they have themselves invested.

"Competition will certainly increase from July onwards and there will certainly be a reduction in commission rates, but we already do over half of our dealing through brokers in which we have an investment," says Mr Claude Girand, director of financial operations at the GAN insurance group.

However, the debate has focused not on the institutions, which will logically end up paying less for their dealings, but on the small investor, who is likely to have to pay more in compensation.

The present minimum brokerage stands at FFr10, but this does not cover even the handling fee a broker must pay to the stock exchange. "FFr10 does not cover the FFr17.50 you must pay to the exchange and the FFr2.30 stamp on the envelope, let alone the computer processing costs," says Mr Daniel Beaumont, head of equities at broker Meeschaert-Rousselle.

These computer processing costs, he adds, are among the heaviest in the world, because of the complexity of some French market practices, such as the treatment of premiums and forward settlement purchases, and because the intermediary is obliged to report systematically to the tax authorities.

Pierre Bérégovoy: plans unspecified measures

"The transaction chain is heavy and costly, not through inefficiency but by its structure," Mr Beaumont stresses.

Mr Gérard de la Martinière, the exchange's chief executive, recently estimated the real cost of handling a transaction at between FFr75 and FFr200. "The bourse is not made for the widow of Carpentras who trades once every ten years," he said, instantly walking into a political row.

Carpentras, a small town in the south of France, has previously been known mainly for its first-century Roman arch, but its widows have now become a symbol of France's estimated 6m small shareholders, who face an almost certain increase in the fees they must pay on stock market transactions after July 1.

On the right, Mr Edouard Balladur saw an assault on the millions of new investors lured into the equity market by the privatisation programme he carried through in 1986-88. "I believe the widows of Carpentras are worth just as much as the bachelors of the bourse," he remarked.

However, true to his liberal principles, he believes it is up to companies to put pressure on their banks to provide reasonable terms for their small shareholders, since these are the most stable investors.

On the left, Mr Pierre Bérégovoy, Mr Balladur's successor at the finance ministry, sensed a cartel forming among the banks. Ever swift to attack the banks, he announced ominously that he planned to take as yet unspecified measures.

The debate is really rather silly: the minimum brokerage may be FFr10, but 50 to 95 per cent of all French equity investors trade through their banks, not directly through a broker, and most of these charge considerably more for their trouble, as well as custodianship fees.

Nevertheless, the net result is that it has become politically impossible to raise dramatically charges on smaller orders. On the other hand, the finance ministry is also anxious that commissions for institutions do not fall too much, fearing that some of the weaker brokers might then be added to an already embarrassingly long casualty list at the Paris stock exchange.

While they do not want to reverse the decision to end the fixed commission tariff, ministry officials are now privately telling brokers that after July 1 commissions will be "free but regulated," a concept that most brokers find difficult to explain to their clients.

Arthur Andersen to advise on Chinese joint ventures

ARTHUR ANDERSEN has teamed up with China International Trust and Investment Corporation (CITIC) to offer what it claims is the first international consulting service for Chinese joint ventures, AP-DJ reports.

The international accounting and consulting group said it has been providing the venture's clients with advice on management and financial issues and bank financing.

The economic consulting unit of CITIC, Beijing's foreign investment arm, is supplying expertise about China and will help serve as a middle-man to work out problems with local and state authorities.

The CITIC unit has been providing consulting work to companies in China for the past eight years.

The co-operation comes as China is pulling back from its traditional response of bailing out ailing enterprises by allowing them to go bankrupt.

It has been estimated that some 15 per cent of China's 6,000 joint ventures are losing money.

"We offer an alternative to the traditional response by identifying, addressing and finding solutions to the problems enterprises face," said an Arthur Andersen official.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Tuesday May 2 1989 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1989 to date	Fri Apr 28 Index No.	Thu Apr 27 Index No.	Wed Apr 26 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (207)	952.83	-0.2	10.58	4.06	11.61	9.80	955.01	951.98	943.00	766.71
2	Building Materials (29)	1191.76	-0.3	11.95	4.29	10.22	9.68	1195.87	1198.23	1188.95	1007.76
3	Contracting, Construction (38)	1718.42	-0.1	12.08	4.08	10.15	25.93	1719.92	1719.86	1705.26	1592.37
4	Electricals (10)	2806.01	-0.3	8.44	4.32	14.44	25.01	2815.28	2788.57	2757.91	2057.40
5	Electronics (30)	2177.44	......	8.72	3.07	14.86	12.86	2177.97	2166.38	2143.00	1606.18
6	Mechanical Engineering (54)	511.81	-0.4	10.20	3.98	12.03	6.73	513.94	511.26	505.52	392.42
8	Metals and Metal Forming (7)	537.92	-0.5	14.27	5.56	7.92	0.00	540.59	541.34	536.00	450.98
9	Motors (17)	315.68	......	11.67	4.81	10.01	5.78	315.55	314.56	312.05	277.11
10	Other Industrial Materials (22)	1588.75	-0.2	9.19	4.25	12.98	21.63	1592.67	1582.95	1569.96	1266.09
21	CONSUMER GROUP (185)	1198.15	-0.6	8.96	3.65	14.08	8.00	1204.95	1203.91	1194.41	1067.03
22	Brewers and Distillers (22)	1319.37	-0.6	9.79	3.47	12.92	9.88	1327.58	1328.18	1303.91	1093.47
25	Food Manufacturing (20)	1030.46	-0.3	9.71	4.01	12.97	11.32	1034.02	1034.69	1026.84	909.95
26	Food Retailing (15)	2155.24	-1.2	8.67	3.34	15.17	14.57	2180.93	2179.28	2186.14	2035.19
27	Health and Household (14)	2277.58	-0.3	6.27	2.56	18.24	9.00	2283.39	2290.96	2278.44	1791.84
29	Leisure (33)	1599.26	-0.5	7.67	3.40	16.39	14.64	1607.09	1600.81	1586.96	1277.59
31	Packaging & Paper (15)	574.63	-0.5	10.19	4.23	12.09	6.99	577.76	571.70	570.25	486.74
32	Publishing & Printing (18)	3566.61	-0.6	9.15	4.53	13.69	32.54	3588.99	3534.07	3509.52	3327.31
34	Stores (33)	779.99	-0.6	11.20	4.54	11.70	1.83	784.46	785.62	780.77	833.97
35	Textiles (15)	534.84	-1.2	11.65	5.30	10.43	0.60	541.48	539.69	528.28	608.48
40	OTHER GROUPS (95)	1070.37	-1.0	10.12	4.16	12.04	8.71	1080.76	1077.54	1067.03	876.46
41	Agencies (18)	1286.04	-0.2	7.25	2.53	17.64	13.24	1288.92	1282.87	1277.24	1148.11
42	Chemicals (22)	1226.13	-0.9	11.40	4.81	10.40	21.34	1236.89	1240.72	1216.00	999.95
43	Conglomerates (12)	1572.34	-0.5	9.86	4.45	11.83	5.17	1580.27	1575.01	1550.92	1174.60
45	Transport (13)	2411.88	-0.2	8.20	3.57	15.82	20.16	2416.81	2403.07	2387.49	1906.84
47	Telephone Networks (2)	1084.26	-2.2	10.83	4.33	12.01	8.00	1108.97	1104.29	1103.73	974.30
48	Miscellaneous (28)	1462.14	-0.5	10.65	4.04	10.68	21.21	1469.73	1463.33	1446.17	1119.62
49	INDUSTRIAL GROUP (487)	1119.75	-0.6	9.74	3.91	12.68	9.08	1126.30	1123.93	1113.98	947.95
51	Oil & Gas (13)	2015.44	-0.9	9.86	5.51	13.02	41.32	2032.92	2037.55	2009.26	1852.65
59	500 SHARE INDEX (500)	1195.76	-0.6	9.76	4.12	12.73	11.69	1203.18	1201.33	1189.92	1024.29
61	FINANCIAL GROUP (123)	736.87	-0.4	–	5.22	–	13.90	739.73	737.01	733.15	668.18
62	Banks (8)	730.53	-0.5	24.34	6.53	5.39	20.35	734.52	729.96	725.95	618.88
65	Insurance (Life) (8)	1055.21	+0.1	–	5.66	–	29.35	1053.80	1043.05	1039.65	976.48
66	Insurance (Composite) (7)	582.93	-0.7	–	5.86	–	13.65	586.88	584.21	581.78	537.65
67	Insurance (Brokers) (7)	949.32	-0.2	8.86	6.64	15.05	26.01	950.94	952.47	949.74	989.58
68	Merchant Banks (11)	331.40	......	–	4.53	–	3.63	331.37	331.00	331.52	345.36
69	Property (52)	1308.86	-0.3	5.92	2.76	21.49	4.54	1313.20	1314.84	1303.41	1166.18
70	Other Financial (30)	370.01	-0.4	10.03	5.67	12.54	4.03	371.49	371.05	370.06	385.19
71	Investment Trusts (72)	1118.86	-0.2	–	2.81	–	7.08	1121.37	1114.00	1107.87	875.38
81	Mining Finance (2)	652.21	+0.4	8.88	3.90	12.43	10.45	649.87	656.83	644.24	482.98
91	Overseas Traders (8)	1390.59	-0.8	9.56	5.00	12.11	15.93	1402.37	1404.20	1389.97	1043.44
99	ALL-SHARE INDEX (705)	1083.96	-0.6	–	4.24	–	12.05	1090.84	1088.10	1078.39	930.45

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Apr 28	Apr 27	Apr 26	Apr 25	Apr 24	Year ago
FT-SE 100 SHARE INDEX‡	2103.1	-14.9	2114.8	2103.1	2118.0	2115.7	2093.4	2071.2	2062.0	1807.2

FIXED INTEREST

	PRICE INDICES	Tue May 2	Day's change %	Fri Apr 28	xd adj. today	xd adj. 1989 to date
	British Government					
1	5 years	118.01	-0.16	118.21	–	3.93
2	5-15 years	133.03	-0.40	133.57	–	4.48
3	Over 15 years	144.94	-0.45	145.60	–	5.33
4	Irredeemables	167.69	-0.14	167.92	–	6.10
5	All stocks	130.97	-0.33	131.40	–	4.47
	Index-Linked					
6	5 years	133.43	....	133.43	–	1.36
7	Over 5 years	132.59	....	132.58	–	1.28
8	All stocks	132.51	....	132.51	–	1.27
9	Debentures & Loans	115.20	+0.08	115.11	–	3.29
10	Preference	88.68	....	88.68	–	2.01

	AVERAGE GROSS REDEMPTION YIELDS		Tue May 2	Fri Apr 28	Year ago (approx.)
	British Government				
1	Low	5 years	9.80	9.77	8.86
2	Coupons	15 years	9.22	9.19	9.22
3		25 years	9.03	9.01	9.09
4	Medium	5 years	10.73	10.64	9.32
5	Coupons	15 years	9.69	9.62	9.44
6		25 years	9.23	9.19	9.26
7	High	5 years	10.84	10.76	9.40
8	Coupons	15 years	9.92	9.85	9.58
9		25 years	9.43	9.38	9.31
10	Irredeemables †		9.04	9.02	9.09
	Index-Linked				
11	Inflation rate 5%	5yrs.	3.62	3.62	2.54
12	Inflation rate 5%	Over 5 yrs.	3.62	3.62	3.77
13	Inflation rate 10%	5 yrs.	2.69	2.68	1.61
14	Inflation rate 10%	Over 5 yrs.	3.45	3.45	3.60
15	Debs &	5 years	12.32	12.01	10.32
16	Loans	15 years	11.48	11.24	10.61
17		25 years	11.09	11.24	10.64
18	Preference †		10.21	10.22	9.82

‡Opening index 2114.8; 10 am 2109.3; 11 am 2109.7; Noon 2110.1; 1 pm 2108.4; 2 pm 2105.9; 3 pm 2108.0; 4 pm 2107.6; 4.05 pm 2105.4 (a) 9.00am (b) 4.57pm † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL, price 15p, by post 34p.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	6	87	15
Corporations, Dominion and Foreign Bonds	5	12	27
Industrials	314	432	827
Financial and Properties	124	166	368
Oils	23	29	45
Plantations	0	0	12
Mines	22	73	83
Others	89	62	109
Totals	583	861	1,486

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amount Paid up	Latest Renunc. date	1989 High	1989 Low	Stock	Closing Price	+ or -	Net Div.	Times Cov'd	Gross Yield	P.E. Ratio
§57	F.P.	-	71	60	♦Amberley Group 2½p	63		b1.5	3.4	3.2	11.6
§100	F.P.	-	111	108	♦Boxmore Intl. 10p	111		g5.2	1.9	6.2	10.7
†	F.P.	-	35	29	♦CCS Group 20p	30		L0.45	1.6	2.0	42.5
‡	F.P.	-	6300	6100	CMB Packaging SA FFr15	6300	+75	W-	-	-	15.0
‡	F.P.	-	6000	5700	Do (¼ '89 Div Reg) FFr15	5975	+75	-	-	-	-
§50	F.P.	-	53½	47	CST Emerging Asia Tst 10p	50		-	-	-	-
-	F.P.	-	21	8	Do. Warrants	21	+1	-	-	-	-
§100	F.P.	-	125	113	♦Capita Group	125	+2	ɑ2.5	2.2	2.7	18.8
§135	F.P.	28/4	143	138	Davenport Vernon 10p	140	+2	g5.25	2.4	5.0	8.5
85	F.P.	-	96	85	♦Diamond Group Hldgs 5p	93		L1.13	4.7	1.6	17.7
□100	F.P.	19/5	109½	100	Fleming High Inc. Inv	109½		b5.25	-	6.4	-
§100	F.P.	-	123	115	♦Green (J.)	120		L2.9	2.9	3.2	14.4
-	F.P.	-	71	33	Greenfriar Inv Wrrts	71		-	-	-	-
§175	F.P.	-	178	173	♦Ibex Hldgs. 10p	176	-1	L3.6	2.7	2.7	16.1
‡	F.P.	-	211	198	MB Group	206	-1	W-	-	-	10.4
§47	F.P.	-	49	40	*Malaya Group 10p	46		b2.0	3.7	5.8	6.3
†	F.P.	-	500	495	Mid Kent Hldgs. £1	500		6.0	-	1.6	-
†	F.P.	-	102	50	Do. Warrants £1	102		-	-	-	-
§58	F.P.	-	63	56	♦Miskin Group 20p	56		Wd1.38	4.5	3.3	7.5
†	F.P.	-	600	559	Nova Corp of Alberta NPV	564	-3	Q42	-	3.6	-
††	F.P.	-	108	95	♦OIS Group	108		-	-	-	-
§100	F.P.	-	108	100½	♦Porth Group 5p	103		R4.5	1.8	5.8	11.3
†	F.P.	-	300	200	♦Property Co of London 50p	250		-	-	-	-
§52	F.P.	19/4	78	52	♦Quillgotti 5p	67		R2.0	2.4	4.0	11.8
§125	F.P.	-	144	136	Servomex 5p	144	+4	L4.7	1.9	4.4	11.9
125	F.P.	12/5	136	125	Try Group	131		L5.0	2.1	5.1	12.5
§185	F.P.	-	215	195	Wood (Graham)	214		R7.7	2.6	4.8	8.0

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1989 High	1989 Low	Stock	Closing Price £	+ or -
106.46	F.P.	-	109	105¼	Brit. Assets Tst. Ind-Linked 2005	108½	-½
110p	F.P.	-	112p	100p	Brown & Jackson 10¼pc Cv. Cm. Pf.	108p	-1
101½p	F.P.	-	101¼p	99½p	C.H. Industrial 9⅝pc Cm. Rd. Pf. £1	99½p	-¼
100	Nil	6/6	3pm	2pm	Dwyer 7.25pc Cnv. Cum. Red. Prf.	2pm	
101p	F.P.	-	103¼p	101½p	Eng. & Int'l. Tst. 8⅞pc Cnv. Pf	102½p	+¼
‡	pt/pd	5/5	310p	267p	Enterprise Fin. '89 Units Var. Call	292p	+2
100	F.P.	-	109½	104⅞	First Scott. American 11½pc Db 2016	106⅞	
100p	F.P.	-	99½	95⅝	Greenall Whitley 10pc Deb 2014	96⅞	
‡	Nil	9/5	7pm	1¼pm	Guidehouse 8.5p(net) Cv Pf 2006	1¼pm	
100p	F.P.	4/5	101p	90p	Hambros 7½pc (Net) Cum Cnv Red Prf	99p	-
103.57	F.P.	-	103½	99½	LETINVEST 10¼-11¼pc Stpd Db 2012	100¾	
-	F.P.	-	100	99⅞	N'wide Anglia 12⅞pc 19.3.90	99⅞	
-	F.P.	-	100	99⅞	Do. 13⅛pc 23 4.90	99⅞	
§99.1	£25	-	28½	25	Do. 4.25pc Index-Linked 2024	27¼	-⅛
100p	F.P.	-	121p	105p	Sidlaw Grp. 8.5p (Net) Cv Cm Rd Pf	121p	
92.52	£30	14/6	30¼	26½	Taylor Woodrow 9½pc 1st Mtg Db 2014	27⅛	
97.10	£30	4/5	30⅛	26⅛	Toops Ests. 10¼pc 1st Mtg Db 2011/16	26⅛	+⅛

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1989 High	1989 Low	Stock	Closing Price p	+ or -
b72	Nil	3/5	10pm	6¼pm	Anglo Irish Bank	6½pm	-¼
30	Nil	2/6	26pm	16pm	Audio Fidelity 10p	25pm	-1
9	Nil	-	2¼pm	1½pm	Bear Brand	2¼pm	+¼
10	Nil	-	8pm	5½pm	♦Clogau Gold Mines 10p	5½pm	-½
80	F.P.	23/5	96½	80¼	♦Conroy Petroleum & Nat. Res.Ir5p	89	
270	Nil	15/6	38pm	21pm	Devenish (J.A.) 5p	29pm	
275	Nil	15/6	84pm	47pm	EIS Group	79pm	-2
h58	Nil	-	14pm	14pm	Helton Hldgs	14pm	
265	Nil	10/5	44pm	38pm	McLaughlin & Harvey	40pm	-2
500	Nil	-	130pm	105pm	Securicor Group A (N/V)	130pm	
450	Nil	-	88pm	75pm	Security Services	88pm	
550	F.P.	28/4	673	612	Western Motor	673	

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. s Dividend and yield exclude special payment. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on Prospectus or other official estimates for 1988 N Dividend and yield based on prospectus or other official estimates for 1989/90. Q Gross. R Forecast, annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures ♥ Issued by tender. ♦ Offered to holders of ordinary shares as a "rights". † Introduction. § Placing price. †† Reintroduction. ♦ Issued in connection with reorganisation merger or takeover. ‡ Allotment price. ♦ Unlisted securities market. ♦ Official London listing. □ Including warrants entitlement. * Third Market.

TRADITIONAL OPTIONS

● First Dealings Apr 24
● Last Dealings May 12
● Last Declarations Jul 27
● For settlement Aug 7

For rate indications see end of London Share Service

Calls in Chrysalis, Tusker, Spong, Vista, Oliver Res, Summer Int, Control Secs, Dares Est, AT Tst, ASDA, M & G Grp, Eagle Trst.

LONDON TRADED OPTIONS

Option	Calls / Puts
Alld Lyons (*455)	[illegible]
Brit. Airways (*196)	[illegible]
Brit Com (*207)	[illegible]
Beecham (*621)	[illegible]
Boots (*290)	[illegible]
B.P. (*288)	[illegible]
British Steel (*85)	[illegible]
Bass (*943)	[illegible]
C & Wire (*491)	[illegible]
Cons. Gold (*1308)	[illegible]
Courtaulds (*327)	[illegible]
Com. Union (*385)	[illegible]
G.K.N. (*387)	[illegible]
Grand Met. (*757)	[illegible]
I.C.I. (*1208)	[illegible]
Jaguar (*299)	[illegible]
Kingfisher (*295)	[illegible]
Ladbroke (*564)	[illegible]
Land Secur (*565)	[illegible]
M & S (*170)	[illegible]
STC (*335)	[illegible]
Sainsbury (*242)	[illegible]
[illegible]	[illegible]

UK COMPANY NEWS

Spong £1.67m in loss and reconstruction planned

By Philip Coggan

HILLSDOWN INVESTMENT Trust, the investment subsidiary of food group Hillsdown Holdings, has assembled a consortium to invest £4m in a reconstruction package for Spong Holdings, the retail display systems and houseware group.

Mr Paul Lever, currently the managing director of Williams Holdings paint division, will become executive chairman of Spong following the capital injection and Mr Michael Teacher, an HIT director, will join the board.

The financing package came as Spong revealed a loss after extraordinary items of £3.68m in the year to October 31, 1988. The loss will cause Spong to miss payment of its convertible preference dividend, and it will not be paying a dividend on its ordinary shares (0.4p).

Mr Stephen Barclay, chairman, said that the yearly results were much worse than anticipated.

The houseware division suffered from the need to make management changes and by the disruption caused by the transfer of businesses to South Wales.

A major restructuring of the division has taken place and the 1988 results include provisions relating to discontinued products and the reduction of manufacturing capacity.

The retail systems division, formed through the acquisition of Norank systems and CJ Murrell, encountered significant integration problems. Provisions have been made to reflect the costs of the integration of manufacturing operations at Mildenhall.

In addition, the clothing business had disappointing results and Beau Brummel, the specialist schoolwear manufacturer, was sold. Pre-tax losses for the group were £1.67m (£1.09m profit) and there were extraordinary provisions of £1.99m. The loss per share was 2.67p (0.86p earnings).

Under the reconstruction package, the consortium will subscribe for 70m shares at 5p each and HIT will underwrite the issue of a further 13.78m shares which will be offered to existing shareholders on a one-for-seven basis.

The consortium will eventually own between 43.6 per cent and 50.9 per cent of the enlarged equity, depending on the take-up of the offer.

Apart from HIT, the other members of the consortium are Equity Capital for Industry and Schmitar, two investment companies.

Spong will concentrate, following the reconstruction, on the two core businesses of houseware and retail systems and the company may dispose of peripheral businesses. The group's shares fell 2¼p to 12¾p yesterday.

The deal continues a busy period for HIT which has been involved in the reconstruction of communications group Systems Reliability, oil group Petrocon and Comac, the computer staff recruitment company.

BOC to renegotiate $171m acquisition

By Clay Harris

BOC GROUP, the industrial gases company, is to attempt to renegotiate a proposed $171.5m (£102m) acquisition in the US to overcome objections by the Justice Department which has threatened to block the deal.

The Justice Department's anti-trust division late last week said it would oppose BOC's purchase of the industrial gases and carbon dioxide operations of Amerigas, itself a subsidiary of UGI, a gas and electrical utility based near Philadelphia.

The regulators' objections apply to the supply of liquid carbon dioxide on the Texas Gulf Coast and of industrial gases in two areas: northern California and the Chicago-Milwaukee corridor. The businesses in question account for less than half of the turnover of the total proposed deal.

UGI and BOC have now agreed to try to work out a structure that will pass muster. There is no time limit.

This is the second time this year that BOC's acquisitive ambitions have fallen foul of US regulators. In February, it called off the $65.8m purchase of the vacuum products division of Varian Associates after the Federal Trade Commission objected to the effect on the US market for helium mass spectrometer leak detectors.

Management buys out Rank Xerox division

By Andrew Hill

RANK XEROX has sold its UK photocopier refurbishment division to a management-led buy-out.

The buy-out team, headed by Mr Richard Grace of Rank Xerox and Mr Patrick Renn of British Olivetti, has bought the business for an unspecified amount and will have a three-year contract with Rank Xerox (UK) worth more than £3m.

The new company formed for the buy-out will have roughly 10 per cent of the group's European refurbishment business. Mr Grace said yesterday it would instantly become the largest of 30 UK players in the fragmented European market which he said was worth £300m.

Apart from refurbishing photocopiers for manufacturers and third party maintenance companies, the buy-out team intends to diversify into the refurbishment of information technology and consumer electronic products.

Lucas expands further in US via £3.7m buy

By Richard Tomkins, Midlands Correspondent

LUCAS INDUSTRIES, the automotive, aerospace and industrial group, has made the latest in a long series of moves into the North American market with the acquisition of AMP Keyboard Technologies for $6.2m (£3.7m).

It has bought the company from AMP Incorporated of Harrisburg, Pennsylvania, and will operate it as part of its industrial division.

AMP Keyboard Technologies makes membrane switches and control panel assemblies of the type widely used in photocopying and facsimile machines. It serves a range of customers making computer equipment and electronic appliances.

The company, which has annual sales of about $10m, employs 150 people in Milford, New Hampshire.

Lucas said the company would become part of its Duralith subsidiary making it the clear leader in the North American market for membrane switches and control panel assemblies.

Bowater lifts its stake in Chamberlain

By Philip Coggan

Bowater Industries, the packaging and industrial products group, has increased to 12.6 per cent its stake in Chamberlain Phipps, the shoe components and adhesives group. It previously owned 9.8 per cent.

Chamberlain is the subject of a battle between Bowater, which is offering 230p per share in cash, and Evode, the plastics and chemicals group, which is making an all-share offer. Both bidders increased their offers in Friday and Evode increased its stake to 14.9 per cent.

The Chamberlain board is yet to make a statement recommending either offer.

Circaprint in Japanese talks

Circaprint Holdings, maker of printed circuit boards, is having talks with a Japanese company about a technical collaboration. The company said that it would have long-term benefits.

The announcement was made as the USM-quoted company reported pre-tax profits for the six months to the end of February down from £603,000 to £546,000, a fall of 9 per cent.

Last year there was an exceptional credit of £81,000.

Turnover was 10 per cent higher at £7.14m (£6.5m). The share closed 5p lower at 140p.

After tax of £191,000 (£183,000) earnings per share came out at 6.7p (8p).

Circaprint also said that it was setting up a research and development department and was in talks with the industrial development board for Northern Ireland about the setting up of a facility in the province.

OIS falls £272,000 into the red

OIS Group, USM-quoted inspection and testing equipment company, reported a pre-tax profit of £24,000 for the year to December 31 1988, cut to a £272,000 loss after payment of a £296,000 exceptional debit which included the cost of closing the company's Yarmouth operations. The company made £184,000 loss pre-tax after an exceptional credit of £80,000 in the previous year. The loss per share was 2.3p (3.3p).

Turnover was up at £12.24m (£11.5m) and the group has completed the acquisitions of the UK services division of the Inspectorate Group, the Unit Inspection Company, and 60 per cent of the Unit Inspection Company of South Africa.

Hawker Siddeley merger

Hawker Siddeley Group, the electrical and mechanical engineering company, is merging Brook Crompton Parkinson, its Australian electric motors company, with the Betts Electrical Motors division of the New South Wales-based James N Kirby.

The merged company, renamed Brook Compton Betts, will have annual sales of about A$70m (£33m).

Hawker will own about 50 per cent and have management control.

Maxwell Macmillan Intl formed

Macmillan has formed Maxwell Macmillan International Group, signalling the return of the US company to international publishing. Maxwell Communication Corporation acquired Macmillan late last year.

"The establishment of the Maxwell Macmillan International Group marks the re-entry of Macmillan into the international publishing market from which it has been absent for some eight years," said Mr Robert Maxwell, MCC chairman.

Mr Donald Fruehling has been named president of the new group.

COMPANY NEWS IN BRIEF

AYNSLEY CHINA: First full-year results since successful conclusion of management buy-out in December 1987 from Waterford Wedgwood showed profits before tax and interest up 51 per cent to £2.75m on turnover ahead 24 per cent to £15.1m.

BRENT WALKER has purchased 100,000 of its own ordinary at a price of 382p, bringing its cumulative purchases to 3.984m ordinary since authority given by members on January 7. The company has also purchased 1m of it own £1 cumulative convertible preference at a price of 106.5p. This brings the cumulative purchases by the company of its convertibles to 2.25m.

BRITISH ASSETS Trust: Net asset value 93.6p (81.4p) per 25p share for six months to March 31 1989. After-tax revenue £6.42m (£5.85m) and earnings per share 1.65p (1.5p). Second interim dividend 0.8p making 1.575p (1.3p) to date. Directors forecast record earnings for full year and total dividend not less than 3.25p. Its subsidiary Investors Capital Trust reported net asset value at March 31 of 439.3p (366.5p). Net revenue for the six months to that date was £5.03m (£3.93m) for earnings per share of 8.07p (6.29p).

CLAYHITHE, in partnership with Keep, has bought two freehold properties fronting on to Pentonville Road, London. They have formed a joint venture company, each with a 50 per cent interest, to develop the 1 acre site.

CLYDESDALE INVESTMENT TRUST: Net asset value 111.5p at March 31, up from 95.5p a year earlier. Interim dividend for six months to end-March maintained at 0.5p from earnings of 1.08p (losses of 0.45p). Directors expect to pay dividend of at least 2.9p for current year.

DOBSON PARK Industries has proposed a reduction in its share premium account of £35m and creation of a capital reserve account of the same amount. The proposal is to facilitate Dobson Park's ongoing acquisition policy and is subject to shareholders' aproval and confirmation by the High Court.

EMBASSY PROPERTY Group has recently purchased a site at Rowditch, Derby, for the development of 140,000 sq ft of out of town non-food retail space, together with an option over a further 14 acres of adjoining land.Company has disposed of freehold of the Fountains, Edmund St, Birmingham to Five Oaks Investments on terms whereby site is developed jointly between two companies and Embassy carries out project management.

FLEMING UNIVERSAL Investment Trust had a net asset value of 189.8p (173.3p) at March 31. Net revenue for the year was £2.27m (£1.5m) after tax of £1.08m (£733,000) for earnings of 3.42p (2.24p) per share. Final dividend of 2.2p (1.5p) proposed for 2.8p (2.1p) total.

FUNDINVEST: Net asset value per 25p share stood at 704.5p at March 31. That compared with 600.4p at end-september 1988 and with 560.3p at March 31 1988. Gross income for the six months to March 31 1989 rose from £711,000 to £788,000. Net revenue emerged at £527,000 (£462,000) after same-again tax of £178,000. Interim dividend is 4.46p (3.878p).

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
BDA Holdings ....fin	2	July 7	1.5	3.5	2.5
Beattie (James) ....fin	3.4☆	July 2	3	4.5	4
Clydesdale Inv ....int	0.5	-	0.5	-	2.75
Fundinvest ....int	4.46	-	3.878	-	9.57
Hunting Assoc ....fin	8☆	July 14	4*	12	7.2*
LGW ф ....fin	2	-	-	2	-
Moss Bros ....fin	3†	June 28	1.93*	4	2.5*
Sanderson Elect§ ....int	2.1	July 3	—	—	3
Spong Hldgs ....fin	nil	-	0.4	nil	0.4

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. фThird market. ☆Carries scrip option.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. *Such meetings are usually held for the purpose of considering dividends.* Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims- Apollo Metals, Royal Bank of Scotland, Video Tape Recording.
Finals- Apollo Watch Products, Delyn Packaging, Forward, Harrisons & Crosfield, Hi-Tec Sports, Nurdin & Peacock, Usher Walker.

FUTURE DATES

Interims-

Cronite	May 8
Hanson	May 15
Northern American Trust	May 23
Tomkinsons	May 17
Windsor	May 9

Finals-

Cable & Wireless	June 13
Cakebread Robey	May 15
Hunting Gibson	May 4
New Market Venture Cap	*May 9*
RIT Capital Partners	May 8
Waverley Asset Management	May 26

UK COMPANY NEWS

Fearnley and Appell 'young enough to tackle something else'

Founding duo quit Poundstretcher

By Maggie Urry

MR STEPHEN Fearnley and Mr Paul Appell, who founded and ran Poundstretcher, the discount retailer acquired in March by Brown & Jackson, have resigned. They plan to "pursue their private interests".

Shares in Brown & Jackson, a retail, building and burglar alarm group, fell 2½p to 44½p yesterday. The company paid £72.7m for Poundstretcher, a price well above its then market capitalisation. Mr Fearnley and Mr Appell had refused long term contracts with Brown & Jackson but had been offered incentive payments geared to profits and were expected to stay with the group.

The two set up the chain as a joint venture with Harris Queensway in 1981. After Harris Queensway was taken over to become Lowndes Queensway last summer, Poundstretcher was put on the market. Mr Fearnley and Mr Appell retained a 5 per cent stake and assembled a management buy-out.

However, Brown & Jackson topped the buy-out offer with a bid in cash and shares, with Mr Fearnley and Mr Appell receiving £6.5m for their stake. Lowndes Queensway took a 20 per cent stake in Brown & Jackson as part of the consideration.

Poundstretcher is a buying-led business, with special deals necessary to offer low prices in the shops. Mr Appell was personally responsible for much of the buying. Mr Fearnley said that the two would assist Brown & Jackson in finding replacements and had offered to help with the buying from outside.

He said they had decided that they could not work for another company having run their own business. The two, in their early forties, are "young enough to tackle something else."

Mr Fearnley said they were looking at a number of buy-in opportunities. City contacts made when assembling the management buy-out proposal would provide backing. "There is lots of money about," Mr Fearnley said.

Isosceles agrees terms of Gateway bid

By Nikki Tait

ISOSCELES, the new institutionally backed company which is pursuing a £1.73bn leveraged bid for Gateway, Britain's third largest food retailer, has undertaken to keep annual capital expenditure to £40m or less throughout most of its seven year loan agreement with the banks.

It has also agreed to covenants concerning the level of operating profits at more than 700 "middle ground" Gateway stores which it will retain if successful, and the net worth of the group.

However, details of these covenants have not been spelt out in loan agreement documents now on display, on the grounds that they are "commercially sensitive".

The Isosceles documents also set out the interest cover and asset cover ratios required under the banking covenants. On the former score, the ratio of group operating profit to total interest cover in the first quarter of the second year must be 1.75:1, rising to 3:1 by the end of the second year and thereafter.

The ratio of total assets to total borrowings must rise from at least 1.25:1 in the second half of the first year to 2:1 by years six and seven.

Net capital expenditure, meanwhile, should not exceed £100m in the first year, but thereafter falls to a maximum £40m in five of the remaining six years. In year three, it cannot exceed £50m.

The documents make clear that the offer can be declared unconditional if the level of acceptances is less than 90 per cent - a matter which has caused some queries in previous leveraged bids - provided Isosceles can satisfy the banks that funds are available to pay all the interest on the initial £1.04m facility being used to finance the bid, and on any advances under the fifth £375m revolving credit facility used to fund the acquisition of convertible bonds.

They also elaborate on the shareholder agreement involving Mercury Asset Management, Globe Investment Trust, 3i and Murray Johnstone - the four institutions which are backing Isosceles.

COMPANY NEWS IN BRIEF

GOVETT ORIENTAL Investment Trust: Net asset value 433.7p (322.3p) at March 31. Earnings per share, excluding dealing, were 2.17p (1.87p) and including dealing 2.39p (1.8p). Final dividend of 0.9p (0.8p) making 1.5p (1.3p) for the year.

HTV, the ITV franchise holder for Wales and the west of England, announced that it had received shareholder approval for the acquisition of CCA Publications, the print publisher and art dealer. Under the terms of deal, which values CCA Publications at £15m, HTV was offering 135p per share and a partial share alternative.

KCA DRILLING (drilling contractor): Pre-tax profits for 1988were £2.84m (£3.45m) on turnover £26.49m (£24.75m). Earningsper 1p share 3p (3.7p), no dividend (same).

LGW (wholesale distributor of watches, jewellery and fragrances): Profits before tax £448,252 (£342,798) for 1988. Single proposed dividend for the year of 2p declared from earnings of 7.5p (5.3p) per 5p share.

LONDON AND Manchester has acquired Gratton and Gratton Professional, estate agent, surveyor and valuer engaged in agency and professional services in respect of properties in the Bath area. Total consideration amounted to £850,000 to be satisfied by the issue of 307,971 LM shares.

LOPEX, international communications group, is paying £3.74m in deferred consideration for the Grayling Company, MSR and RCF Marketing Group, which have met their profits targets. Some 1.71m shares are being issued to finance the payments, of which 1.33m are being placed on behalf of the vendors at 215p.

MARLER ESTATES: Conrad Holdings has received irrevocable undertakings to accept the recommended offer in respect of 59.84m Marler ordinary (77.8 per cent) and 1.5m ordinary to be issued on the exercise of options, representing in total 78.2 per cent. Of the irrevocable undertakings 6.2 per cent have undertaken to accept the offer in respect of new Conrad ordinary. Holders of 71.6 per cent ordinary and 1.5m ordinary Marler shares to be issued on the excercise of options, representing in total 70.3 per cent, have elected for the cash alternative.

NO PROBES: The following proposed acquisitions are not being referred to the Monopolies Commission – Trade Indemnity Group/Trade Indemnity and Triton/Metlex Industries.

SCOTTISH MORTGAGE & Trust: Net asset value at March 31 was 149.1p, against 126.1p a year earlier. Net revenue for the year to the end of March was £10.94m (£8.98m) for earnings per share of 3p (2.49p). A final proposed dividend of 1.9p (1.5p) makes a total of 2.8p (2.3p).

SECURICOR FRANCE has signed a joint venture agreement with major French parcels carrier Grimaud. Using established Aer Securicor services, the new company, to be called Grimaud Securicor SARL, will offer a guaranteed service to France from the UK.

SIDLAW GROUP has sold Edwards (Aberdeen), a wholesale grocery business, to CJ Lang for £2.05m cash, and its interest in the Regent Centre offices in Aberdeen to Anglo Scottish Investments for £720,000 with an adjustment of the terms of the head lease.

SMITHS INDUSTRIES has acquired Respiratory Support Products, based near Los Angeles, a maker of single-use devices for measuring whole-body temperatures of patients in operating theatres and intensive care, for $3.8m (£2.26m).

STEETLEY, the Rugby-based construction and aggregates group, announced at it's annual general meeting, that it is to seek a listing on the Paris Bourse. Steetley has recently acquired a number of French quarrying, ready-mixed concrete and coated roadstone companies.

THAI PRIME Fund: Net tangible asset backing per share at April 28 was $10.95.

TRYASSET has completed the acquisition of Micro-Facilities Group, a third-party computer maintenance company based in Hampton Hill, Middlesex.

Minorco appeals to Panel on documents

By Kenneth Gooding, Mining Correspondent

A FURIOUS ROW between Minorco, the South African-controlled investment group, and its £3.5bn bid target, Consolidated Gold Fields of the UK, about leaked South African documents resulted in Minorco making another appeal to the UK Takeover Panel yesterday.

Minorco claimed that Gold Fields deliberately had withheld material information in its bid documents – to the effect that its associate, Gold Fields of South Africa, was to have a rights issue of shares.

Gold Fields denied that a firm decision about a rights issue had been made by GFSA even though documents leaked to the UK Sunday Telegraph appeared to suggest otherwise.

Mr Bernard van Rooyen, GFSA's finance director, said he had prepared the leaked paper which indicated that the group would not be able to finance internally the Rand 3bn required for major projects planned for the next ten years. GFSA was not heavily geared but a rights issue was one way the cash could be raised, he added.

Observers in South Africa pointed out that any suggestion of a rights issue was embarassing for the GFSA directors because they have refused to accept the Minorco offer in respect of the GFSA shareholding in Gold Fields, totalling 7.5 per cent and worth Rand 1.3bn in cash and between Rand 200m and Rand 300m in Minorco equity.

The leaked document was therefore bound to produce pressure on the GFSA board to change its mind about accepting the Minorco offer for the Gold Fields' stake.

Minorco yesterday gave the results of the "mix and match" provisions of its offer open to shareholders who accepted by April 26. All those who elected to take extra Minorco shares will have their application met in full. Those who elected to take all cash will receive 15.59 per cent of the additional cash they requested. This means they will get £12.33 in cash and 0.42 of a Minorco share for each Gold Fields instead of £11.75 and 0.5 of a Minorco share.

Meanwhile, at the request of the Takeover Panel, Minorco and Gold Fields have agreed to continue the application of Rule 8 of the Takeover Code.

Hunting Associated's £26.5m profit beats expectations

By Clare Pearson

HUNTING ASSOCIATED Industries yesterday reported a 46 per cent increase in pre-tax profits from £18.18m to £26.52m in 1988.

The outcome exceeded City expectations even after taking into account an unexpected £3.04m gain from property, and the shares rose 25p to 450p after yesterday's announcement.

While the percentage increase in basic earnings per share from 45p to 65.5p exactly matched that in profits, the recommended final dividend is lifted to 8p, making 12p for the year, a increase of 67 per cent.

Turnover, virtually static in 1987, showed an increase from £338.98m to £400.84m, reflecting a build-up of sales of the LAW 80 anti-armour weapon and general growth in the aviation division.

There was also a first-time contribution of £5m to sales, though none to profits, from the electronics division. This, which should be further expanded this year, comprises Lynwood Scientific Developments, a computer display terminal manufacturer, bought for £19.2m in June, and network systems company Camtec Electronics, bought for up to £2.5m in September.

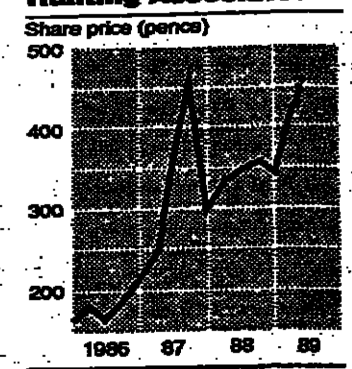
Mr Richard Hunting, chairman, sounded a confident note about prospects for the dominant defence and engineering division, even though the main contracts for LAW 80 and the JP233 airfield denial weapon system were reaching their peak. He expected overseas sales of LAW 80 to get going next year, while he also envisaged export orders emerging for JP233 derivatives which have been developed by Hunting.

On a much longer-term view, Hunting's SWAARM system is one of two contenders – the other is Marconi – for the Ministry of Defence's contract for the next generation of anti-armour weapons, which will be worth several hundreds of millions of pounds when awarded in some two years' time.

Defence and engineering contributed £15.81m (£11.58m) to the pre-tax figure. Within this, Hunting Precision Components, which makes parts for the US automotive industry, suffered from currency effects and the costs of expansion.

Aviation support put in £5.51m (£5.21m), reaping the benefits of strong demand from the civil aviation industry, although held back by the Canadian operation. Other activities provided £84,000 against a loss of £314,000.

The contribution from related companies, of which 21 per cent-owned Hunting Petroleum Services is the most significant, rose to £2.08m (£1.66m).



● **COMMENT**

Helped on the defence and engineering side by a more favourable sales mix – comprising a higher proportion of manufacturing and exports, and on the aviation side by favourable market conditions – 1989 should be another good year for Hunting. Without any help from property, but some positive contribution from electronics and Hunting Precision, pre-tax profits should rise to about £30m. That suggests a prospective p/e of under 8, which does not look expensive even after the recent run. Nevertheless, although Hunting is obviously not going to fall off a cliff when JP233 runs out, its profits growth beyond this year is both bound to be harder won and also much harder to predict, while it is too early to get excited about SWAARM's prospects for success.

Kalamazoo falls into loss of £2.29m in first half

By Richard Tomkins, Midlands Correspondent

KALAMAZOO, the Birmingham-based business systems supplier that last year showed a sharp recovery in profits to £2.56m fell into first half losses of £2.29m compared with a profit before K-W-A bonus of £612,000 for the period to January 1989.

The figures were released as the Stock Exchange closed so the share price was unable to respond. It was unchanged at 34 1/2p.

Shareholders had been warned of a poor result in March when Kalamazoo said its ability to earn profits for the full year was in question, but yesterday's loss was greater than expected.

There is no interim dividend and no bonus is being paid to employees through the Kalamazoo Workers Association.

Turnover rose by 25 per cent from £23.9m to £29.8m but this translated into a loss of £1.43m (profit: £652,000) before redundancy payments and KWA bonus.

The company said the decline in its higher margin stationery business had become more marked in the second quarter and the increase in sales was in its lower margin computer-based business.

Some £470,000 of profits went on the development of new business areas and the marketing spend was up by another £715,000.

In addition, redundancy and severance payments took £869,000 compared with just £40,000 last time. Kalamazoo said the second half had begun profitably and it expected to recover some of the operating losses incurred to date.

The actions taken had continued to strengthen its position as an important and credible supplier in the business systems and services market, it said. Increased sales and changes in the business mix were causing the company to bring forward its plans for developing its financial and administrative structures and control systems.

UK COMPANY NEWS

Pentland buys Miller Enterprises for £6m

By John Ridding

PENTLAND Industries, the consumer products group, yesterday announced that it had acquired Miller Enterprises, holding company for Hanson White, manufacturer of greetings cards, from the Parkfield Group for £5.75m in cash.

Last year Pentland failed to acquire Parker Pen and suffered a fall in profits because of difficulties at Reebok, the US sports shoe company.

Analysts said that they have been expecting a number of smaller acquisitions and were encouraged by the move. Laurence Prust raised profit forecasts for the year to the end of December from £66m to £68m, largely reflecting the purchase.

The full payment depends on Miller Enterprises achieving a pre-tax figure of £740,000 for the year to the end of April. Pentland will receive £7.77 for every £1 shortfall.

Mr Frank Farrant, Pentland's finance director, said that on the basis of management accounts to the end of March he was confident that the target would be met. Last year Miller Enterprises returned taxable profits of £579,000 and at the end of April net assets stood at £884,000.

Pentland intends to make greetings cards and related products into a new division, using Miller Enterprises as the vehicle to make further acquisitions.

Mr Farrant said that this sector was a potentially high margin area which is currently underdeveloped. He added that Pentland already has the distribution and marketing networks necessary to develop Hanson White's businesses.

Miller Enterprises had only been part of Parkfield since April last year. According to Mr Chris Davies, director, the company had performed well since purchase but that the expected synergy with its video distribution business was constrained by the increased specialisation within the video market.

Parkfield stated yesterday that it has also disposed of its two small Irish subsidiaries for £250,000 through a management buy-out. According to Mr Davies, the various disposals reflected the group's decision to concentrate on its core manufacturing and entertainment divisions.

BSG expands in Australia with A$12.5m purchase

By Richard Tomkins, Midlands Correspondent

BSG International, the Birmingham-based motor dealer and car parts group, has embarked on a significant expansion of its Australian operations through the purchase of the privately-owned Bryant group of New South Wales for up to A$12.5m (£5.89m).

Bryant makes rear light clusters for cars and lorries, and a range of automotive electrical components such as switches and relays. These are supplied both as original equipment and for the after-market.

The company made pre-tax profits of A$26,000 in the year to April 1988 and is expected to produce about A$650,000 for the year to April 1989.

More importantly, it has just obtained its first contract to supply rear light clusters as original equipment for cars - from Nissan in Australia - and deliveries will begin later this year.

BSG is already heavily involved in the manufacture of rear lamp clusters in the UK through its subsidiaries Britax Vega in Droitwich, Worcs, and Britax (PMG) in Bridlington, Humberside. The group's existing Australian subsidiaries make car mirrors and child safety seats.

BSG said the acquisition of the Bryant group would provide it with the opportunity to develop its vehicle lighting activities in the increasingly important Australasia and Far East regions.

Kelsey buys into Europe with purchase of Stannol

By Clay Harris

KELSEY INDUSTRIES, solder maker and roofing contractor, has gained its first continental European manufacturing base through the acquisition of Stannol Lotmittelfabrik Wilhelm Paff, a West German soldering materials group.

Stannol, based in Wuppertal, had been owned by the same family since its founding in 1879.

Kelsey has paid an initial DM 3m (£945,000) in cash for net assets of DM 1.05m. Additional payments of up to DM 2m are linked to profits in the three years to April 30 1992.

Mr Roy Samways, Kelsey's group chief accountant, said the UK company had been looking for a continental manufacturing base for some time, preferring West Germany because of the country's strong electronics industry.

Kelsey already sells British-made soldering products into West Germany through its Multicore Lottechnik distribution subsidiary. It plans to retain separate German sales forces for the two brands – Stannol and Multicore – but administration will be merged.

In 1988, Stannol reported pre-tax profits of DM 73,000, less than in the previous two years because of the costs of building and equipping a new factory. Although Stannol's 1988 turnover was not disclosed, Mr Samways said its margins were similar to those achieved by Kelsey's soldering operations.

Storehouse replaces registrars

Storehouse, the retail group which includes BhS, Habitat, Heal's, Mothercare, Richards, has appointed Lloyds Bank as registrars to replace Barclays Bank.

Storehouse severed its banking relationship with Barclays in mid-April and switched most of its business to Midland Bank.

The group ended its links with Barclays because that bank's investment banking arm, BZW, is advising Mr Asher Edelman, the American arbitrageur who leads a group of investors with a near 8 per cent stake in Storehouse.

Mr Michael Julien, chief executive of Storehouse, said that the Lloyds Bank already acted as bankers on the group's storecard.

Xtra-vision for the USM

By Vanessa Houlder

XTRA-vision, an Irish video hire group, is coming to the unlisted securities market in Dublin and London through a placing that will capitalise it at £24.3m (I£20.4m).

Development Capital Corporation is placing 5.07m shares at 148p, which represents 10 per cent of the enlarged equity. Xtra-vision operates a video cassette leasing business and a chain of 100 video cassette rental stores.

Brewmaker falls sharply

BREWMAKER, the USM-quoted group which diversified from its original homebrewing business after control passed last February to Mr Tony Acton, the South African entrepreneur, reported pre-tax profits substantially lower at £300,479 in the year to end-January.

The result – representing a decline of 41 per cent on the previous year's outcome – came on turnover of £6.27m (£6.8m) and was struck after exceptional items of £66,000.

Earnings per 1p share worked through at 0.35p (0.8p). There is again no proposed dividend, although the directors hoped to be in a position to resume payments during the current year.

Campbell Distillers purchase

By Lisa Wood

CAMPBELL DISTILLERS, the UK subsidiary of Pernod Ricard, the French drinks group, has bought the Glenallachie Distillery and its eponymous malt whisky brand from Invergordon Distillers. The price is not being disclosed.

The French group said the acquisition of Glenallachie had become imperative as a result of the rapid sales increase in the company's whiskies.

Mr Chris Greig, managing director of Invergordon – which successfully completed a management buy-out from Hawker Siddeley, the engineering group, last year – said the company had six malt and one grain distilleries before the disposal. At present Glenallachie has modest sales but will benefit from the increased distribution clout and marketing spend which Pernod will be able to put behind the brand.

Benlox losses near doubled to £3.57m

A £3.91m jump in operating expenses to £9.6m and a rise in interest payable from £267,000 to £1.46m caused Benlox Holdings to suffer increased pre-tax losses from £1.88m to £3.57m in 1988.

Exceptional charges of £1.76m, relating to the realisation of listed securities, the write-off of remaining unlisted securities and an unrecovered fee from a property transaction, had a depressing effect on the pre-tax result. However, turnover at this industrial holding company advanced 39 per cent to £41.65m.

Tax rose to £431,000 (£364,000), leaving losses per share at 7.1p (5.3p). An extraordinary credit of £1.51m mainly related to the disposal of Personnel Selection Associates and Executive Services.

The directors said that, notwithstanding the results, they were recommending a maintained final dividend of 0.1p, for a total of 0.2p (0.85p).

Sharp results adjusted

By John Thornhill

SHARP & Law, the USM-quoted shopfitting group, has adjusted its 1988 results after the release of its preliminary figures in March. This follows the announcement that it had restated its 1987 results because certain large contracts in its Bradford division had been inappropriately valued.

The company added that after the completion of the 1988 audit, a provision had been made for expected losses of £288,000 in respect of storefitting contracts entered into before the year-end. Results stated that pre-tax profits were £1.06m. They have now been reduced to £776,000.

Mount Charlotte growth

By Clare Pearson

MOUNT Charlotte Investments, the UK's second largest hotels group, is buying the Ramada Renaissance Hotel on the sea front at Brighton, from Speyhawk, the property developer.

The consideration will be satisfied by an initial £10m in cash and a further payment, deferred for a year, comprising either £20m in cash or 10m new Mount Charlotte shares.

The Ramada, to be renamed The Hospitality Inn, formed part of a two-year-old development including offices and shops, and had always been earmarked for disposal.

The Ramada accounted for the bulk of the £2.74m loss Speyhawk incurred from its hotel interests in the year to end-September 1988.

Lendu profit rises sharply to over £1m

Lendu Holdings, with interests in rubber plantations, sheep farming and investment, reported a sharp rise in pre-tax profits for 1988.

The taxable figure jumped from £170,000 to £1.03m and was boosted by profits of £484,000 (nil) from the sale of fixed asset investments and by a credit of £256,000 (£41,000) from favourable exchange gains.

Turnover leapt to £458,000 (£121,000). After tax of £166,000 (£39,000), earnings per share rose to 6.83p (6.46p). A final dividend of 0.9p has been proposed, more than double the adjusted 0.38p paid last time.

BIA falls £3m into red

By Philip Coggan

BRITISH ISLAND Airways, the airline operator, reported a £2.9m loss in 1988 and reduced its dividend by 90 per cent to 0.2p (2p).

The company said that the loss was principally caused by Air Traffic Control delays last year and by the nightly closure of Gatwick's main runway for resurfacing. In addition, a new MD83 aircraft was delivered late.

The tour operating subsidiary, Island Sun, had another disappointing year and did not contribute to profits. New management has been brought into the business.

Mr Peter Villa, chairman, said that the company had decided not to adopt a policy of aircraft revaluation. Prices had been increased on some night operations, and although sales were lower, margins were higher.

The 1988 loss compared with a £1.99m profit in 1987. Turnover was £52.56m (£38.55m) and losses per share were 14.8p (earnings 8.7p).

Addison stake

Motivaction, the French market research company, has increased its stake in Addison Consultancy, the design and market research group from 21 per cent to 22.7 per cent.

Tharsis declines

Pre-tax profits of Tharsis, the pyrites export and land development group, fell from £535,000 to £453,000 in 1988 and it has reduced its final dividend from 6p to 4p for a total of 6p(8p). Turnover dropped to £3.81m (£5.45m).

SHARE STAKES

Habit Precision Engineering – Jantar no longer has an interest with the sale of all its 969,000 ordinary.

Hey & Croft Group – North East Essex Building Society has increased its holding to 1.21m shares.

Hunter Saphir – Scottish Amicable Investment Managers has increased its holding by 245,000 ordinary to 2.07m.

Jos Holdings – Equitable Life Assurance Society and its associate University Life Assurance Society now have an interest in 1.08m ordinary (11.64 per cent).

Keep Trust – GPC Howard has acquired 119,000 ordinary, raising the holding to 749,000 (7.58 per cent).

Lloyd Thompson Group – EJ Lloyd has disposed of 400,000 ordinary, reducing holding to 1.8m (6.98 per cent). PGK Lloyd disposed of 182,000, reducing holding to 2.66m (10.36 per cent).

Magnolia Group (Mouldings) – DA Arnold has disposed of 9,110 ordinary and now holds 501,244 (8.7 per cent).

Marshalls – Scottish Amicable Investment Managers now has 2.77m ordinary (6.68 per cent) under its management.

New Throgmorton Trust – London & Manchester Group has bought 300,000 capital shares, raising its holding to 1.8m (8.99 per cent).

Personal Assets Trust – Mr Ian Rushbrook is interested in 1.82m (12.18 per cent).

Shaw (Arthur) & Company – Deerhurst Properties has bought 65,000 ordinary at 110p each.

SI Group – Bankers Trust Nominees have acquired 50,000 shares taking the holding to 2.93m (16.05 per cent).

UK COMPANY NEWS

Ailing Ketson attacked by Greystoke consortium

By Philip Coggan

KETSON, MARKETING and public relations group, yesterday received a bid approach from a consortium consisting of Mr Andrew Greystoke's City and Westminster Financial, training and education company Summer International and public relations, advertising and marketing consultancy Broad Street Group.

The board of Ketson, which met yesterday, made only a holding statement but is expected to reject the approach.

The consortium offer came just two days before Ketson was due to reveal a financial reconstruction package.

Ketson's trading had been disappointing since the acquisition of Moorgate, the financial marketing and public relations company, in 1988.

The shares, which reached an all-time high of 151p before the October stock market crash, had drifted down to 19p. Trading in the shares was suspended on April 25, when the company was capitalised at £3.6m.

Mr Greystoke said yesterday that the consortium was put together after Ketson made its suspension announcement. City and Westminster Financial is a corporate finance company run by Mr Greystoke which has been involved in the reconstruction, or attempted reconstruction, of several small companies.

Ketson

Share price (pence)

CWF acquired a 29.5 per cent stake in the former Sumrie Clothes two years ago, renamed it Summer International, and moved into education and training via the purchase of companies such as Betty Owen Secretarial Systems. Of the businesses owned by Ketson, Summer will be most interested in IETC, a training consultancy.

Broad Street, however, is keen to acquire Moorgate, which was quoted on the USM until its acquisition by Ketson. Mr Michael Preston, Broad Street's group development director, said that the company's interest in Moorgate dated back 18 months when a merger was suggested.

At the time, Broad Street was unable to agree on a merger because it was involved in the deal through which Mr James Gulliver, the former Argyll supermarket group head, took a 10 per cent stake and became chairman.

Mr Preston said that there had been two further sets of conversations with Moorgate since then but the talks had revealed that Moorgate was in a difficult financial position. However, he thought the business would be a good fit with Broad Street. "In terms of what they do for their clients" said Mr Preston, "they're very professional".

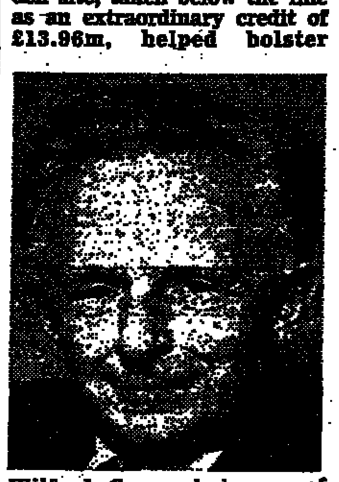
No details of the proposed financing structure of the consortium bid were revealed yesterday but Mr Preston said he did not envisage the issue of any Broad Street equity. Ketson is being advised by Morgan Grenfell.

Moss Bros boosts profit to near £3m

MOSS BROS Group, the menswear retailing and hire chain, increased its profits from £1.73m to £2.88m pre-tax for the year to January 28.

The Cecil Gee contribution for the seven months since acquisition amounted to £1.7m.

The sale of the Covent Garden site, taken below the line as an extraordinary credit of £13.96m, helped bolster retained profits to £15.1m (£0.67m).



Wilfred Cass, chairman of Moss Bros

Group turnover for the 12 months was up from £24.45m to £41.49m. Earnings pushed ahead from 8.02p to 12.33p and a final dividend of 3p raises the total by 1.5p to 4p.

Trading in the current year to date was in line with expectations. The directors said the restucturing that had taken place would benefit the group.

Doctus in talks with Prospective on possible merger

By Andrew Hill

DOCTUS, the management consultancy, is hoping to take a large step towards becoming a diversified business services company by merging with Prospective Group, the marketing services consultant formerly known as Pineapple Group.

It announced yesterday it was in talks with Prospective, which is considering a number of other options. A takeover by Doctus is likely to be for shares and could be finalised within the month.

Any merger would probably depend on Doctus renegotiating Prospective's acquisition of Wallace, a sales promotion company. The terms of the deal have been holding back Prospective's shares, which rose 8p to 71p yesterday. At that the group is worth £27.2m, £11m more than Doctus.

The marketing services company issued 150,000 convertible deferred voting shares for Wallace last May and injected £5.8m in working capital into the business. But the City has been worried by the possibility of Prospective having to pay up to £43m in deferred profit-related payments and by borrowings which stand at 2¼ times shareholders' funds.

Mr Peter Bain, Prospective's chairman, said the stock market was ignoring the fact that Wallace would have to contribute excellent profits for the three years to the end of 1990 to earn the deferred payments. He said poor perception of the shares was not the reason for discussing a merger.

Mr Brian Blake, Doctus chairman said: "We are looking to build a group of brand names in business services. Each company will be run under its own name, have its own corporate identity and, hopefully, be the leader in its field."

Mr Bain became chairman of the old Pineapple Group when its founder, Ms Debbie Moore, stepped down in 1987. He went on to sell the famous dance studio side to Ms Moore for a nominal sum, change the group's name to Prospective and build it into a marketing services business.

Adwest

Following the purchase of 50 per cent by Adwest for £450,000, Dauphinoise Thomson, French-based automotive thermostat manufacturer, has become a wholly-owned subsidiary.

BDA slows in second half

BDA HOLDINGS, the property development, consultancy and investment group, slowed down markedly in the second half of its financial year to January 31 1989.After a gain of 57 per cent in the first six months, pre-tax profits in the second six months gained 6 per cent leaving the overall total up 27 per cent to £1.37m.

Mr Brian Duker, chairman, commenting on the group's performance said the investment required to achieve the substantial expansion inevitably resulted in a reduction in profit margins.

On prospects, he said that the group's ability to respond rapidly to the constantly changing market place and with an improving performance from the consultancy companies BDA faced the current year with optimism, even though it was anticipated that progress in the property sector would not be easy.

Turnover last year rose almost 86 per cent to £8.57m (£4.62m) and earnings per share, after a £484,000 (£384,000) tax charge, were up from 8.4p to 9.8p per 10p ordinary. The dividend is raised from 2.5p to 3.5p with a proposed final payment of 2p(1.5p).

Laidlaw lifts stake in ADT

By Clare Pearson

Laidlaw Transportation, the Canadian-based school bus and waste management company, holds 172.67m shares in ADT, the electronic security protection and vehicle auction group, representing 24.1 per cent of the issued share capital.

In a complicated deal agreed between the two companies in March, Laidlaw increased its stake from 3 to 22 per cent.

SHARE STAKES

Parkdale Holdings — Banque Paribas Capital Markets has increased its holding to 5.4m ordinary (13.3 per cent) with the acquisition of 400,000.

Pittard Garner — Strong & Fisher has raised its holding to 2.26m ordinary (10.42 per cent) with the purchase of 10,000.

Polly Peck — Restro Investments, a private company beneficially owned by Mr Asil Nadir, Polly Peck chairman, has elected to receive 372,496 new ordinary, bringing its holding to 51.6m. Mr Nadir is, with his personal holdings, interested in 54.51m.

Ransom (William) & Son — Barclay Trust Channel Islands has disposed of 200,000 ordinary and now holds 634,050 (4.14 per cent).

Swallowfield — Various subsidiaries of NatWest Investment Bank are now interested in 1.86m ordinary shares.

T&S Stores — R. Ridgley has disposed of 53,933 shares and holds 1.11m (6.16 per cent).

Telfos Holdings — AC Holdings has sold its stake of 1.51m shares.

Thorntons — Margaret Shirley Thurman now holds 4.53m ordinary shares (7.2 per cent) after having disposed of 350,000.

Toye & Co — Following a recent purchase, Saxonbest Ltd and associates hold 146,500 shares or 6.5 per cent.

Union Discount — Kuwait Investment Office has cut its holding to 1.28m (6.18 per cent) £1 stock units, registered in the name of NBK (London) Nominees, following the disposal of 200,000 units.

Wace Group — Scottish Amicable Investment Managers hold 2.55m shares (5.44 per cent).

Lowy to buy back Westfield

By Paul Cheeseright, Property Correspondent

WESTFIELD INTERNATIONAL is retreating from the market after less than a year. Mr Frank Lowy, the chairman whose family has interest in 51 per cent of the equity, yesterday announced plans to take the company private again.

The company's shares were floated in Sydney last June and introduced to the London market a month later. But, said Mr Lowy, the company "has not generated as much interest in the market as had been hoped."

Westfield is based in Australia, registered in Canada but with its main assets - seven regional shopping centres with a book value of $1.1bn - in the US.

Mr Lowy is offering $3.35 cash (198p) for each share. This compares with a London price of 133p just before the offer announcement and 134p afterwards. The shares this year have traded in the 131-152p range.

With 98.15m shares in issue, this values Westfield at $328.8m (£196.6m).

Details of the offer will be sent to shareholders within the next three weeks. The offer, conditional on acceptance for 90 per cent of the stock, will be open for a month.

Expedier Leisure back in black with £583,000

BOOSTED by acquisitions, Expedier Leisure, the USM-quoted manufacturer of sports goods formerly known as Scanro Holdings, returned to the black in the year to January 6 with pre-tax profits of £583,000 against a restated loss of £12,000. Fully diluted earnings increased from 1.1p to 4.7p per share.

Mr Conor O'Brien, chief executive, said that due to the acquisitions made in the latter part of the financial year the results were not indicative of future trends. He also announced the acquisition of Jomar Holdings, the UK's leading walking stick manufacturer, for £3.77m. Consideration is to be satisfied by the issue of two interest-free guaranteed loan notes.

On the restated figures, turnover fell from £7.72m to £6.56m. Operating profits were £637,903 (£346,978). There isno dividend but the group intends to return to the list in the current year.

Sanderson Electronics advances 53%

Sanderson Electronics, USM-quoted computer and software company, reported pre-tax profits up 53% from £985,000 to £1.51m for the half year ended March 31 1989 on turnover up from £4.1m to £6.2m.

Earnings per share increased from 7.5p to 11.5p and an interim dividend of 2.1p per share will be payable. This is 50% above the 1.4p which would have been paid last year if the company's shares had been quoted on the USM for the year to September 30 1988.

The results for the half year do not include any contribution from General Automation, in which Sanderson has rights to acquire up to 51% for a total of up to £2.25m.

Beattie at £8m

Profits before tax of James Beattie, the Wolverhampton-based retail department store operator, improved from £7.24m to £8.01m for the year to end-Janaury. Sales, excluding VAT, pushed ahead from £56.16m to £62m.

Earnings emerged at 11.25p (10.23p) and a proposed final dividend of 3.4p on both the ordinary and A ordinary 25p shares raises the total by 0.5p to 4.5p.

Profits benefited from a £352,000 rise in net interest income to £1.6m.

JOBS

The prime source of peril to company chiefs

By Michael Dixon

IN the bad old days it was not so bad, said W.H. Auden in his poem, The Managers.

To rule was a pleasure when one wrote a death sentence on the back of the ace of spades and played on with a new deck, he added – suggesting he was thinking specifically of top executives.

In these good new days, on the other hand, they are highly likely to get their cards in another sense entirely. As the American management consultant Thomas Gilmore has pointed out*, the average time that chief executives keep their job is shortening continually, bearing out the comment made by one of them that: "There's something harder than getting to the top nowadays. It's surviving up there."

In one London company at least, those words might soon prove literally true. Although its name was not revealed by the youngish man I heard discussing it the other night, he did mention that it had recently moved into a new building with 30-odd storeys and that the directors had enthroned themselves on the highest.

"Only half the lifts go up to the top floor," he went on, "and until we recruit someone to manage the premises, the job has come to me in personnel. So since I'm also in charge of management succession planning, I'm going to adopt a policy of accelerated natural wastage backed by targeted elevator maintenance."

But despite Mr Gilmore's acknowledgement that a good part of the menace to chief executives lurks in the levels below, they are most likely to receive their comeuppance from that direction by more roundabout methods. The direct threat usually lies still higher up than themselves, with the owners or whatever other authority appointed them in the first place.

While that authority is the only body entitled to sign a death sentence on them; however, lots of other hands are poised to guide the pen. In most organisations today, shareholders are vastly outnumbered by stakeholders. Hosts of people think they have a rightful interest in managements' actions, and are apt to gang up against a chief they see as pursuing the wrong line. They range from environmentalists to – let's face it – journalists.

"In this sense we can regard leaders as shock absorbers, mediating between the wider environment and the organization, buffering and transforming external pressures into workable challenges for the internal divisions of the organization," the United States consultant says. "If the pressures become too great, the leader may be removed."

Even so, where many newly appointed chiefs are concerned, such external forces are a superfluous menace. The authority which raised them to the top often proves enough by itself to cut them down before an outsider ever gets a chance to unsheathe the knife.

Fatal factor

The fatal factor in most cases is evidently not so much anything that anybody does as something the appointing authority fails to tell its chosen recruit. For instance, rather than risk undermining the new chief's confidence or having the job flatly refused, it may have concealed that almost as many people with a voice in the matter were against the choice as were in favour of it.

Such splits are far from rare. They could well be more rule than exception, particularly where the organisation concerned needs thoroughgoing change. In that event the discord among the appointers may result in a succession of new chiefs' being made scapegoats to it. In consequence, no leader is given enough time to identify and carry through the changes required, especially since the followers will tend to become cynical about the power of a new chief to make any real difference.

If there is a significant split over the choice, Thomas Gilmore maintains, the best motto is: Candour is critical. The controversial candidate should be made aware not only that the discord exists, but that coping with it will be a key task of the job.

Alas, even if appointing authorities are unanimous, their relief at having filled the post often leads them to forget that new leaders go on needing support from above at least until they learn the detailed ways in which the complex below them works. As one of them said: "You can't fully appreciate the stark terror that results from knowing that you're in a position of enormous authority and that you have not one clue as to what is really going on around you. No one would tell me if my coat was on fire or if the computer had completely broken down."

Nor is it enough to spell out for new leaders, however clearly, the objectives which they are expected to achieve. While the reasons for chief executives' failures are both numerous and devious, the epitaph which probably fits more of their career headstones than any other is that they got the results, but their superiors did not like the way they did it.

Best policy

In the US consultant's view, even if the appointing authority tries to specify the restraints, an incoming leader is foolhardy to trust it – and still more so the inherited subordinates – to clarify the fine print completely. Hence the recruits' best policy is to consult the outgoing chiefs whom they are replacing.

That advice still applies when the substitution is being made so furtively that the candidates know they will lose the offer of the job unless they keep silent about it until the appointment is made. Although consulting the suddenly sacked chief may be somewhat daunting, the newcomer does well to attempt it.

After all, people who have reached the top will probably be worldly-wise enough to know that whoever replaces them is rarely to blame for their fall. Hence they may welcome the chance to pass on their views on the case.

"Regardless of how discredited the former leader is, some value can usually flow from such a meeting, if only to substitute reality for the fantasy figures that dominate during transitions. In addition, the predecessor may have helpful intelligence on key people, may suggest items that require follow through, and finally may be a useful reminder that some day the new leader will also be exiting, raising vividly the issue of what will be the central preoccupations and hoped-for legacy."

There of course remains the possibility that all the advised meeting will raise vividly is a swelling on the incoming chief's eye or nose. But even so, Mr Gilmore's warnings should at least save ambitious managers from eventually pronouncing on themselves the sort of epitaph spoken by Mr Robert Rittereiser after his demise at E.F. Hutton:

"To get this firm back on its feet after I got here I had to work from the bottom up. I didn't think I was going to have to worry about what was happening above me. My assumption was wrong."

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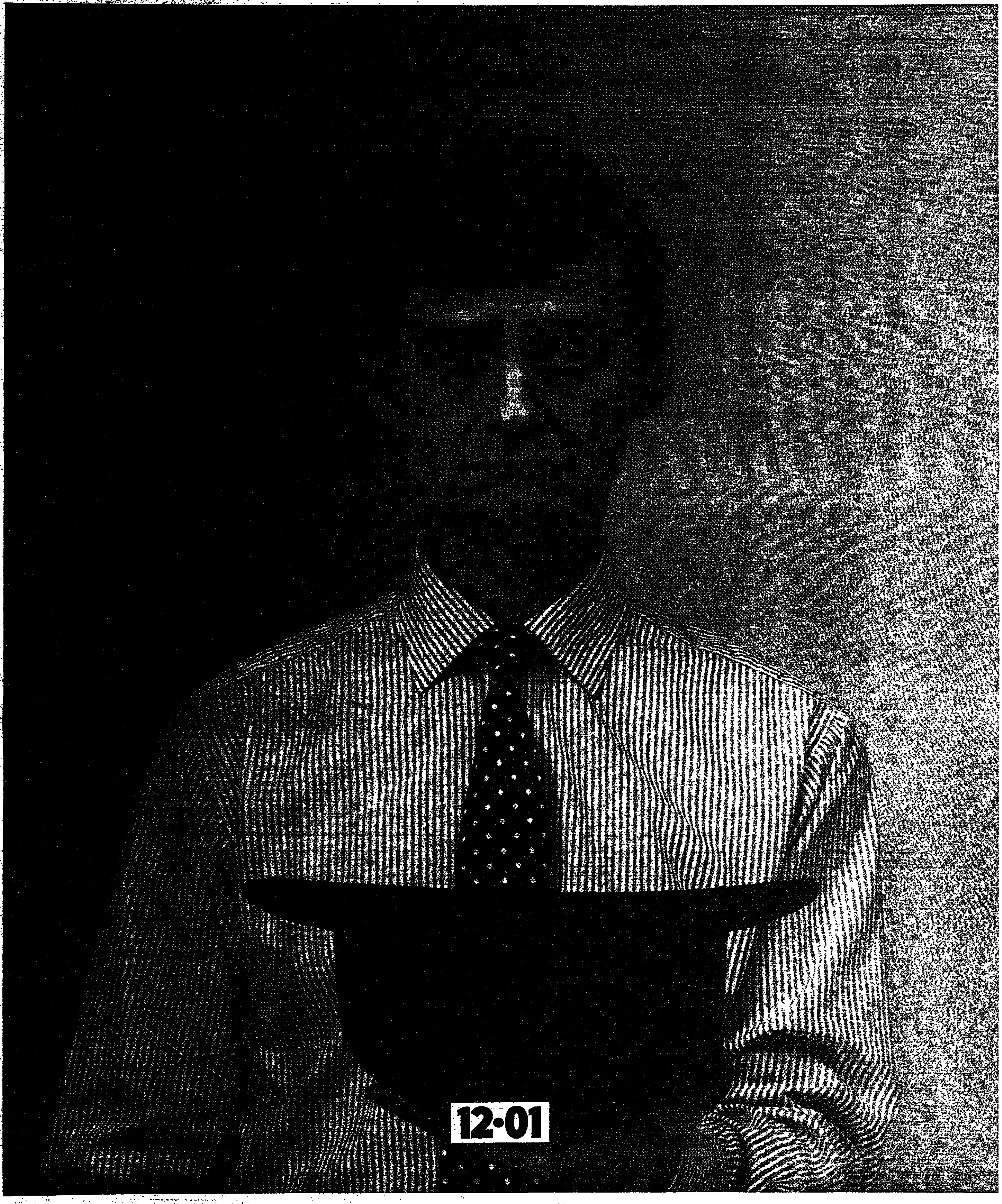

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FINANCIAL TIMES CITYLINE

COMMODITIES AND AGRICULTURE

Nickel market volatile as warehouse stocks double

By Kenneth Gooding, Mining Correspondent

THE VOLATILITY which has been a feature of the London Metal Exchange nickel market for the past week returned in an extreme form again yesterday.

Traders suggested there was panic selling after the LME reported an unexpected doubling of its warehouse nickel stocks.

The atmosphere calmed later in the day but by the close the price of nickel for immediate delivery was down by $625 to $14,525 a tonne while three-month metal had fallen by $600 to $14,325.

It is the second time recently that panic has created large nickel price movements.

News last week that Outokumpu's smelter at Harjavalta in Finland was out of action coupled with a bigger-than-expected fall in LME stocks caused the price to leap by $1,400 in an hour.

However, this quickly brought metal to the market and the cash price of nickel fell by $700 a tonne during last week while three-month metal was down by $550.

The LME said yesterday its nickel stocks had risen by 2,412 tonnes to 4,824 tonnes.

Traders suggested this reflected the arrival of nickel from the Soviet Union to Rotterdam, attracted by the prices which remain relatively high.

Mr John Harris, analyst with Rudolf Wolff, the commodities broker, pointed out that the surge of nickel into LME warehouses after a brief but substantial price rise suggested that supplies of the metal were not so tight as had been widely believed.

PT Aneka Tambang, Indonesia's state-owned metals producer, plans to double its ferro-nickel output over the next three or four years and may open a mine on Gag Island off Irian Jaya, the company's president Mr Anton Bruinier said, Reuter reports from Jakarta.

"We predict demand from the world stainless steel industry, which consumed half of world nickel output, will continue strong, and we expect the price will stay at good levels at least to the middle of this year," he said.

LME WAREHOUSE STOCKS (Change during week ended last Friday) tonnes

Aluminium	-950	to 99,075
Copper	+8,200	to 114,100
Lead	-3,400	to 35,900
Nickel	+2,412	to 4,824
Zinc	-25	to 18,420
Tin being reassayed		to
Silver (ozs)	unchanged	to 10,114,000

Tin price 'may rise to £8,000'

By Kenneth Gooding, Mining Correspondent

THE EUROPEAN free market price of tin, which has already jumped from £4,600 a tonne at the end of last year to more than £6,000, might rise to £8,000 a tonne in the short term, suggests Rudolf Wolff, the London-based commodities broker.

But the price can be expected to settle later this year at about £5,500 a tonne, Wolff says in a special report to mark the fact that tin trading will soon resume on the London Metal Exchange.

Mr John Harris, the report's author, says: "The reintroduction of a tin contract to the LME should once again provide a valuable source of transparent market prices. Furthermore producers, merchants and processors will be able to hedge their requirements up to 15 months forward. The recent surge in prices is also likely to enhance interest when the contract starts trading."

According to Wolff, Western world tin in concentrate output this year is expected to be about 175,000 tonnes, with primary refined supply about 180,000 tonnes. This takes into account 15,000 tonnes of net imports from eastern Europe and unchanged secondary output of about 10,000 tonnes. The US authorities cannot legally release more than 5,000 tonnes from that country's surplus stocks.

Wolff says that refined tin supply this year will fall just short of demand, which should reach 185,000 tonnes.

Although stocks total 30,000 tonnes, "geographic considerations and the lack of availability of refined metal as opposed to concentrate stocks mean that the market is vulnerable to short-term squeezes," the report adds.

It says consumers currently are unlikely to have surplus metal and probably have been drawing down stocks in the face of higher prices while producers have probably sold surplus stocks.

But the tightness of supply might be offset if stocks of tin tied up by litigation were released or if the Association of Tin Producing Countries released stocks. "However, there is considerable scepticism regarding the ability of ATPC members to release stocks," Wolff comments.

Consequently, current tin prices should be sustained and extended in the near term and "in the event that stocks are not immediately forthcoming, significant additional production should be attracted to the market, resulting in a redressing of the (supply) imbalance later in the year."

WESTERN WORLD SUPPLY/DEMAND BALANCE ('000 TONNES)

	1984	1985	1986	1987	1988	1989*
Mined Supply	170	160	140	135	160	175
Refined Supply	165	165	160	145	165	180
Consumption	155	150	155	170	180	185
Surplus	10	15	5	(25)	(15)	(5)
Stocks	75	90	80	55	40	35

* = forecast. Source: Wolff Research Estimates

Restoration of N Sea production hits oil price

By Steven Butler

OIL PRICES yesterday continued their slide of last week as the prospect of a restoration of production from the North Sea came closer.

British Petroleum said that production at its Magnus field had been fully restored at the weekend following the partial reopening of the St Fergus gas processing plant in Scotland.

BP said last week that it would be forced to cut output at Magnus by 79,000 barrels a day because of Department of Energy restrictions on gas flaring while St Fergus was down. The plant, which was closed last week following the discovery of cracks in gas processing equipment, was yesterday operating at close to full capacity.

Texaco said yesterday that production at its Tartan platform had been fully restored for the first time since the Piper Alpha disaster shut down production on July 6 last year. Output from the field is expected to stabilise at between 68,000 and 70,000 b/d, compared to 36,000 b/d since January 24. Gas exports will also start up at 35m cu ft a day. A 10 to 14 day shutdown of the platform, however, is scheduled for this month in order to facilitate resumption of production from the nearby Claymore and Scapa fields.

Brent Oil for May delivery closed off 75 cents at $18.50. At the New York Mercantile Exchange June futures for West Texas Intermediate Crude were off 45 cents at $20.21 in midday trading.

Shell also reported yesterday that it had found no primary structural damage at the Cormorant Alpha platform, which was shut down following a gas explosion two weeks ago. The platform served as a pumping station from the Brent pipeline system, which handled 272,000 b/d before the blast.

Shell gave no start up date for the platform, but said this would not be before next week. Shell said it was continuing to pump water out of the leg of the platform where the gas leak occurred.

Oil prices soared following shutdown of the Cormorant Alpha platform amid fears that the platform could be out of action for an extended period.

● Amoco said yesterday it had made a significant gas discovery at block 42/28a in the southern basin of the North Sea, 20 miles east of Flamborough Head. Gas flowed at 32.7m cu ft a day through a 52/64 inch choke. The well was drilled to a depth of 9,845 ft in 172 ft of water. The find is Amoco's third gas discovery of the year. Further appraisal operations are being considered.

Little to celebrate at the party

The Festival at Hyde Park will try to lift the industry's depression

FARMER'S VIEWPOINT

By David Richardson

NOTHING quite like it has happened in Hyde Park since 1851. That year 26 of the 600 acres in the Royal Park were covered by The Great Exhibition – a six month celebration of Britain's Industrial Revolution and the inspiration of Prince Albert. This year over 100 acres have been transformed into the Festival of British Food and Farming – a three-day show under the chairmanship of Prince Philip.

When it opens to the public on Friday through to Sunday, anyone who wishes will be encouraged to wander through the park to purchase the best of British food, to look at farm animals and machinery and learn about an industry which employs only 2.5 per cent of the UK's population but supplies 80 per cent of its nourishment. Entry is free.

The Festival is the flagship event of Food and Farming Year, which was itself conceived out of the coincidence that 1989 is the 150th anniversary of the Royal Agricultural Society of England as well as the centenary of the Ministry, or as it was first known the Board, of Agriculture. The gestation period was more than five years, during which the agricultural industry has seen many changes.

Back in 1984, when the concept was first floated, British farmers gathered their biggest and best corn harvest. The Common Market had hardly begun to tackle the difficulty of surplus food production and guaranteed prices for farm produce were still comparatively generous.

The two institutions with up-coming birthdays had every justification for planning a year-long party and presumably believed that there would be plenty of cash to pay for it.

However, according to figures recently released by the Ministry of Agriculture, farm incomes have dropped to less than half their 1984 level. And although farmers have been asked to contribute, at both county and national levels, towards what has become a year-long public relations exercise for their industry their poor response has disappointed the organisers who have had to look elsewhere for financial support.

A glance down the list of companies which have paid the lion's share of the £10m Hyde Park extravaganza gives an indication of the problem.

The main sponsor is Asda, the supermarket chain, which stumped up a big enough sum to get its name into the official title of the event. Six subsidiary patrons include a bank, an accountancy firm, a mineral water bottler, an oil company, an ice cream manufacturer and the National Dairy Council.

That is not to imply any criticism of those worthy companies which clearly recognise their debt to agriculture and are prepared to do their bit to help improve its image. Help is certainly needed after the salmonella scare, the listeria hysteria and against the accusations of pollution of water supplies with nitrates and the like.

The plain fact is that the agricultural industry does not have the resources to mount its own public relations campaign. The National Farmers Union, which has previously initiated such activities, is fighting for its survival as farm business failures lead to lower membership. The membership that is left is being forced to borrow more money each year to stay in business.

Latest estimates indicate that UK farmers are now borrowing £6.45bn from the clearing banks compared with £6.1bn last year, and a further £700m from the Agricultural Mortgage Corporation. It is calculated that at the present high cost of money about 33 per cent of average farm income goes to pay interest charges and that unless rates and/or borrowing fall dramatically – both unlikely prospects – the figure will rise to over 40 per cent next year.

The EC farm price package recently agreed in Luxembourg will do nothing to ease the burden, in spite of the qualified welcome it received from NFU president Simon Gourlay.

Mr Gourlay was relieved that the prices were no worse. The Commission had previously proposed a much tougher package. He also welcomed the devaluation of the green pound, which will have the effect of permanently raising UK farm prices, albeit by modest amounts, and of removing financial barriers to UK exports of produce.

But apart from a modification of co-responsibility levies for small milk producers, the abolition of them for those who live in "less favoured areas" and a slight relaxation of Community regulations on oilseed rape there was little to get excited about.

Take the revised guarantee scheme for cereals for instance. Intervention, the system whereby the Community buys and stores grain in order to underpin the market, stays. But the period during which it will operate has been reduced by one month and will now apply from November to May. On the face of it, however, the November buying price for feed wheat and barley at £109.94 per tonne looks quite attractive until you calculate all the deductions.

The main items are the co-responsibility levy which will be 6 per cent after July 1 if, as expected, the EC's total cereal harvest is over 160m tonnes. I calculate it at £6.59 per tonne.

The cost of storing the grain from harvest – say September 1 – until sale to the Intervention Board – say November 1 – will be about £1 per tonne per month, or £3 per tonne. Transport to the store could add a further £4 per tonne. Interest on the money from September 1 until three months after delivery to the store (the Commission has said it will delay payment until then) will be at least a further £7 per tonne at present interest rates.

In other words the real value of EC price support for cereals via the intervention system and discounted back to harvest will be £109.94 minus £20.59 or £89.35 per tonne. Calculations by Mr Michael Murphy of the Department of Land Economy at the University of Cambridge put the costs of growing cereals in the eastern counties in 1988 at £90 per tonne. Meanwhile production costs continue to inflate at the same rate as in the rest of the economy.

It may well be that few if any farmers will use the intervention system this year because the worsening shortage of cereals worldwide may provide a ready market for EC surpluses and push prices higher than those quoted. I hope that proves to be the case, but if so why should grain growers still be forced to pay the co-responsibility levy which was originally claimed to be designed to help finance intervention?

That said a number of grain growers, myself included, wonder if the Luxembourg price package may represent the bottom of the trough for EC agriculture. Prices cannot fall any further without doing irreparable harm to the industry across Europe and that together with the tightening world supply/demand balance seems at last to be influencing the somewhat insular Commission.

Some of the farmers who visit Hyde Park this week to rub shoulders with their customers may not feel that they have much to celebrate. But I suspect that, like me, they will enjoy the party anyway. After all someone else is paying.

Strike hits Guyana sugar and bauxite

By Canute James in Kingston

THE four-week strike which has crippled Guyana's sugar and bauxite industries has so far cost the two sectors about US$35m in foreign earnings, according to government officials.

The strikes followed a 70 per cent currency devaluation on April 1, and are likely to continue as the government has rejected unions' demands for changes in economic policy.

Officials of the state-owned bauxite industry say the strike is depriving the industry of about US$450,000 per day. Sugar and bauxite are the country's main foreign currency earners.

● Jamaica's bauxite output in the first quarter of this year reached 1.93m tonnes, 9 per cent higher than the corresponding period of 1988. The Jamaica Bauxite Institute reported that production of alumina (refined bauxite) in the first quarter was 411,656 tonnes, an increase of 2 per cent over the first three months of last year.

The island's bauxite production for this year is likely to be higher than the 7.41m tonnes of 1988, following the reopening of the country's largest refinery and the expansion of the capacity of another plant jointly owned by the government and the Aluminum Company of America.

● Belize's sugar exports declined slightly last year but the country earned more from its sales. Figures released by the government said sugar exports last year were 79,700 tonnes, 2,000 tonnes less than 1987. Earnings of US$35m last year were 11.8 per cent more than 1987 because of higher world prices and an increase in the country's US quota.

Export of citrus concentrate fell 21 per cent to 1.5m gallons last year, but earnings grew 10.5 per cent. Exports of banana reached 26,670 tonnes, 22 per cent higher than 1987.

Thai exports of maize to double

THAI MAIZE exports are expected to double to about 1.7m tonnes during the year ending June, up from a drought-reduced 840,000 tonnes a year ago, the private Board of Trade said, Reuter reports from Bangkok.

But the board said in its weekly bulletin that maize exports would slow to about 200,000 tonnes in April/June from 353,152 tonnes the previous quarter due to a dwindling exportable surplus and demand from the local feed industry.

It said March exports fell to 83,176 tonnes from 134,195 the previous month with Malaysia topping the buyers' list by taking 47,478 tonnes.

WEEKLY METALS PRICES

All prices as supplied by Metal Bulletin (last week's prices in brackets).

ANTIMONY: European free market 99.6 per cent, $ per tonne, in warehouse, 2,000-2,055 (2,035-2,100).

BISMUTH: European free market, min. 99.99 per cent, $ per lb, tonne lots in warehouse, 6.00-6.25 (6.15-6.40).

CADMIUM: European free market, min. 99.5 per cent, $ per lb, in warehouse, 6.70-7.00 (same).

COBALT: European free market, 99.5 per cent, $ per lb, in warehouse, 7.40-7.50 (7.45-7.60).

MERCURY: European free market, min. 99.99 per cent, $ per 76 lb flask, in warehouse, 255-290 (255-275).

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo, in warehouse, 3.60-3.65 (3.70-3.80).

SELENIUM: European free market, min 99.5 per cent, $ per lb, in warehouse, 6.90-7.70 (same).

TUNGSTEN ORE: European free market, standard min. 65 per cent, $ per tonne unit (10 kg) WO, cif, 55-65 (same).

VANADIUM: European free market, min. 98 per cent, $ a lb VO, cif, 8.30-8.60 (8.70-9.00).

URANIUM: Nuexco exchange value, $ per lb, UO, 11.20 (same).

WORLD COMMODITIES PRICES

LONDON MARKETS

ZINC prices fell sharply on the LME yesterday, and are set to test recent lows, according to dealers. The market slid early when LME stocks fell by only 25 tonnes against general market expectations of a 3,000 to 5,000 tonnes fall. Three-month high grade metal closed off $78 at $1,592 a tonne. Dealers expect it to retest the $1,475 level seen two weeks ago. Copper prices also fell as bearish sentiment was made worse by the recent steady build-up of stocks and a lack of any fresh bullish factors. LME holdings in the last nine weeks have risen by some 33,000 tonnes to 114,100 and traders expect a further increase towards the 125,000 tonne level. On the bullion market gold shed a further $1 following last Friday's fall below $380 an ounce.

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$15.20-5.30q	-0.60
Brent Blend	$18.40-8.60z	-0.75
W.T.I. (1 pm est)	$20.07-0.12q	-0.46
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$284-286	-9
Gas Oil	$148-156	-2
Heavy Fuel Oil	$89-91	
Naphtha	$172-175	+1
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$377.25	-1.00
Silver (per troy oz)♣	565c	+2
Platinum (per troy oz)	$535.00	+5.60
Palladium (per troy oz)	$156.75	-4.15
Aluminium (free market)	$2245	-60
Copper (US Producer)	144⅝-148c	
Lead (US Producer)	37.5c	
Nickel (free market)	640c	-55
Tin (European free market)	$10670	-55
Tin (Kuala Lumpur market)	26.43r	-0.03
Tin (New York)	488.0c	-2.5
Zinc (US Prime Western)	87¼c	-⅛
Cattle (live weight)†	120.42p	+0.71*
Sheep (dead weight)†	253.99p	-7.30*
Pigs (live weight)†	87.96p	-0.09*
London daily sugar (raw)	$305.0u	+6.0
London daily sugar (white)	$343.0u	+2.0
Tate and Lyle export price	£293.0	+5.0
Barley (English feed)	£105.0w	+0.75
Maize (US No. 3 yellow)	£134.5	+0.5
Wheat (US Dark Northern)	£126.25x	
Rubber (spot)♥	57.25p	-0.75
Rubber (Jun)♥	65.25p	-0.75
Rubber (Jul)♥	65.25p	-1.00
Rubber (KL RSS No 1 Jun)	290.5m	
Coconut oil (Philippines)§	$570u	+5
Palm Oil (Malaysian)§	$410	+5
Copra (Philippines)§	$370	+17.5
Soyabeans (US)	£201	
Cotton "A" index	74.80c	-0.05
Wooltops (64s Super)	620p	-

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. v-Apr/Jun. u-May/Jun. q-Jun. x-Apr/May. w-Aug. z-May. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

COCOA £/tonne

	Close	Previous	High/Low	
May	727	724	730	718
Jul	750	744	752	737
Sep	766	760	766	754
Dec	803	799	805	795
Mar	800	791	799	793
May	800	795	802	792
Jul	812	808	814	806

Turnover:4397 (7731) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Apr 28: 981.15 (981.08):10 day average for May 1: 979.81 (981.05)

COFFEE £/tonne

	Close	Previous	High/Low	
May	1170	1162	1158	1139
Jly	1120	1109	1115	1087
Sep	1067	1065	1066	1045
Nov	1046	1050	1040	1025
Jan	1042	1044	1032	1025
Mar	1033	1042	1027	
May	1033	1042	1027	1026

Turnover:2525 (7762) lots of 5 tonnes
ICO indicator prices (US cents per pound) for May 1 : Comp. daily 112.90 (115.56). 15 day average 117.97 (118.17)

SUGAR ($ per tonne)

Raw	Close	Previous	High/Low	
Aug	271.60	256.80	277.00	268.80
Oct	270.20	254.80	274.00	268.00
Dec	271.00	257.00	270.00	
Mar	262.60	249.80	265.40	262.60
White	**Close**	**Previous**	**High/Low**	
Aug	338.00	332.00	340.00	336.00
Oct	324.00	312.00	328.00	323.00
Dec	320.00	310.00		
Mar	313.50	301.00	312.00	

Turnover: Raw 3031 (3534) lots of 50 tonnes. White 515 (1395).
Paris- White (FFr per tonne): Aug 2137, Oct 2056, Dec 2000, Mar 1975, May 1965, Aug 1965.

CRUDE OIL $/barrel

	Close	Previous	High/Low	
Jun	18.32	18.62	18.75	18.25
Jul	17.58	17.74	17.87	17.52
Aug	17.10	17.15	17.50	17.10
IPE Index	18.59	19.03		

Turnover: 5213 (6883)

GAS OIL $/tonne

	Close	Previous	High/Low	
May	146.75	151.25	150.50	146.75
Jun	144.00	147.50	147.00	144.0
Jul	144.75	146.50	145.50	144.25
Aug	145.25	146.75	146.00	145.25
Sep	146.00	148.25	147.25	146.00
Oct	148.50	149.50	149.00	147.50
Nov	149.00	150.75	149.00	148.00
Dec	150.50	152.75	150.50	149.50

Turnover 7650 (7063)lots of 100 tonnes

JUTE
May/June 1989 c and f Dundee BTC $505, BWC $530, BTD $445, BWD $460; c and f Antwerp BTC $480, BWC $465, BWD $420, BTD $430.

COTTON
Liverpool- Spot and shipment sales for the week ended April 28 amounted to 419 tonnes against 370 tonnes in the previous week. Trading was average during the week with orders in west African growths.

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 20,075 tonne
Cash	2247-52	2290-5		2240-5		
3 months	2142-3	2180-5	2160/2130	2135-40	2155-8	33,423 lots
Copper, Grade A (£ per tonne)						Ring turnover 35,525 tonne
Cash	1744-6	1808-10	1782/1768	1769-70		
3 months	1730-1	1776-7	1755/1728	1747-8	1733-4	72,181 lots
Silver (US cents/fine ounce)						Ring turnover 0 ozs
Cash	560-3	560-2		560-2		
30 June	568-71	568-9		568-70		354 lots
Lead (£ per tonne)						Ring turnover 5,675 tonne
Cash	372-3	369-70	374	374.5-5.5		
3 months	370-0.75	368-9	372/370	371-1.5	371-2	9,889 lots
Nickel ($ per tonne)						Ring turnover 1,008 tonne
Cash	14475-575	15100-200	14400	14350-400		
3 months	14300-50	14900-50	14800/14000	14200-50	14350-400	7,337 lots
Zinc, Special High Grade ($ per tonne)						Ring turnover 5,400 tonne
Cash	1598-600	1675-80	1615	1615-7		
3 months	1570-5	1635-40	1595/1570	1596-8	1570-80	10,438 lots
Zinc ($ per tonne)						Ring turnover 11,400 tonne
Cash	1568-73	1656-60	1592	1590-2		
3 months	1520-3	1592-5	1570/1515	1546-8	1525-30	12,109 lots

POTATOES £/tonne

	Close	Previous	High/Low	
May	140.0	133.0	140.0	135.0
Nov	91.5	91.5		
Feb	100.0	100.0		
Apr	140.0	137.5	141.0	135.0
May	155.0		153.0	

Turnover 253 (268) lots of 40 tonnes.

SOYABEAN MEAL £/tonne

	Close	Previous	High/Low
Jun	156.00	155.00	156.00
Aug	151.00	148.50	151.00
Oct	149.00	149.00	149.00

Turnover 1086 (32)lots of 20 tonnes.

FREIGHT FUTURES $10/index point

	Close	Previous	High/Low	
May	1657	1641	1660	1643
Jun	1578		1580	1546
Jul	1453	1440	1455	1445
Oct	1541	1534	1555	1541
Jan	1575	1560	1575	1564
Apr	1590	1580	1595	1585
BFI	1641	1629		

Turnover 409 (412)

GRAINS £/tonne

Wheat	Close	Previous	High/Low	
May	116.20	116.60	116.45	116.20
Jun	118.00	118.40	118.65	118.00
Sep	105.30	105.20	105.20	
Nov	107.45	107.40	107.50	107.45
May	116.90		116.90	
Barley	**Close**	**Previous**	**High/Low**	
May	107.85	107.60		
Sep	103.00	102.90	103.10	103.00-
Nov	105.85	105.85	106.00	

Turnover: Wheat 173 (94). Barley 30 (30).
Turnover lots of 100 tonnes.

PIGS (Cash Settlement) p/kg

	Close	Previous	High/Low
Jun	108.5	108.5	108.0
Aug	108.5	108.5	
Oct	110.0	110.0	
Nov	111.5	111.0	111.0
Feb	106.2	106.5	

Turnover 8 (22) lots of 3,250 kg

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	377-377½	223¾-224¼
Opening	377-377½	223½-224
Morning fix	376.90	223.879
Afternoon fix	377.45	223.993
Day's high	378-378½	
Day's low	376½-377	
Coins	**$ price**	**£ equivalent**
Mapleleaf	388-393	230½-233½
Britannia	388-393	230½-233½
US Eagle	388-393	230½-233½
Angel	388-393	230½-233½
Krugerrand	376-379	223-225
New Sov.	88½-89½	52½-53¼
Old Sov.	88½-89½	52½-53¼
Noble Plat	535.9-544.95	317.75-323.10
Silver fix	**p/fine oz**	**US cts equiv**
Spot	335.95	565.00
3 months	346.80	579.15
6 months	358.40	594.65
12 months	379.60	623.45

LONDON METAL EXCHANGE TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	May	Jul	May	Jul
2100	159	182		58
2200	60	124	1	97
2300	2	80	42	151
Copper (Grade A)	**Calls**		**Puts**	
2800	151	183		75
3000	3	87	51	175
3200		34	247	319

LONDON FOX TRADED OPTIONS

Coffee	Jul	Sep	Jul	Sep
1050	80	63	15	47
1100	48	41	33	75
1150	26	25	61	109
Cocoa	**Jul**	**Sep**	**Jul**	**Sep**
700	57	80	8	14
750	26	49	27	33
800	9	27	60	61

US MARKETS

IN THE METALS, gold and silver lost ground due mostly to a sharp decline in the energy markets, reports Drexel Burnham Lambert. Copper plunged over 500, basis May, as an increase in LME stocks prompted liquidation. In the softs, cocoa prices gained slightly on speculative and commission house activity. Sugar closed lower on mostly local activity. Speculative selling was offset by trade buying in the coffee. Cotton futures advanced as trade buying and commission house stops fueled the market. The livestocks were all higher led by the pork bellies gaining 93 in the May contract. Higher cash prices and stop orders helped the futures rally. Hogs rose as seasonal decline in hog runs appears to have started. Cattle prices were higher as marketings are running ahead of schedule. In the grains, prices were mixed and choppy, featureless trading was seen in all markets. The bean complex and corn were soft while a strong cash market helped firm up the wheat futures. May closed up 23½ cents. Possible Soviet tender business is still adding support. The energy markets were all lower on heavy trade and local selling, electing stop orders on the way down.

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
May	377.6	378.2	378.0	376.5
Jun	380.1	380.7	381.2	379.1
Jul	382.3	382.9	0	0
Aug	384.6	385.1	385.3	383.7
Oct	389.5	390.1	390.5	389.0
Dec	394.4	395.2	395.2	393.7
Feb	399.3	400.2	400.0	398.7
Apr	404.3	405.3	404.0	403.8
Jun	409.3	410.4	409.5	409.5

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Jul	540.3	537.3	541.8	537.0
Oct	537.8	534.8	538.5	536.0
Jan	538.3	535.3	539.0	535.0
Apr	540.3	537.3	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
May	561.7	564.6	567.0	560.5
Jun	566.4	569.6	570.0	570.0
Jul	571.8	575.0	577.0	570.5
Sep	582.1	585.3	586.5	581.1
Dec	596.8	600.0	602.0	596.1
Jan	601.5	604.7	0	0
Mar	611.3	614.5	613.0	612.0
May	621.4	624.6	624.5	624.5
Jul	631.8	634.8	635.0	635.0
Sep	642.2	645.4	0	0

COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
May	131.25	136.65	135.00	131.10
Jun	129.35	134.10	0	0
Jul	127.40	132.30	130.10	127.10
Sep	123.60	127.50	126.50	123.50
Dec	120.00	122.70	121.30	120.00

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Jun	20.11	20.66	20.48	19.97
Jul	19.02	19.45	19.30	18.87
Aug	18.62	18.88	18.78	18.43
Nov	17.80	18.04	18.02	17.75
Dec	17.60	17.85	17.86	17.57
Jan	17.40	17.65	17.61	17.40
Feb	17.30	17.52	17.52	17.30
Mar	17.25	17.41	17.40	17.18

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Jun	4830	4946	4910	4775
Jul	4750	4880	4835	4710
Aug	4785	4915	4880	4755
Sep	4850	4975	4935	4840
Nov	4995	5095	5040	4990
Dec	5075	5155	5130	5095
Jan	5125	5180	5125	5125
Feb	5110	5145	0	0

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
May	1277	1260	1262	1245
Jul	1230	1218	1234	1208
Sep	1229	1221	1229	1215
Dec	1230	1229	1231	1219
Mar	1235	1231	1235	1220
May	1243	1242	1248	1227
Jul	1230	1216	1234	1208
Sep	1280	1276	1270	1270

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
May	134.00	132.95	135.10	133.60
Jul	126.20	125.44	128.10	125.65
Sep	121.14	120.21	122.80	120.75
Dec	117.61	117.08	119.25	117.60
Mar	116.00	116.53	117.50	116.00
May	117.05	116.75	117.75	117.00
Jul	117.25	118.00	0	0
Sep	116.75	117.50	117.00	117.00

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jul	12.13	12.19	12.35	12.02
Oct	12.09	12.28	12.25	11.98
Jan	11.64	11.63	11.50	11.50
Mar	11.78	11.74	11.90	11.66
Jul	11.68	11.70	0	0
Oct	11.65	11.88	0	0

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
May	65.00	63.86	65.09	64.00
Jul	65.48	64.40	65.70	64.50
Oct	66.10	65.42	66.30	65.42
Dec	65.96	66.30	66.10	65.60
Mar	66.37	65.95	66.50	66.20
May	66.78	66.26	0	0
Jul	66.69	66.53	0	0

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
May	185.45	181.15	186.00	180.60
Jul	188.30	185.30	186.95	185.00
Sep	183.00	180.85	184.00	180.60
Nov	171.70	170.35	171.90	171.00
Jan	167.00	168.55	167.00	166.00
Mar	166.45	165.05	166.25	165.75

INDICES

REUTERS (Base: September 18 1931 = 100)

May 1	Apr 28	mnth ago	yr ago
-	2018.6	2007.3	1747.2

DOW JONES (Base: Dec. 31 1974 = 100)

Spot	136.74	136.62	134.48	128.61
Futures	137.06	136.76	136.38	131.90

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
May	734/0	736/2	736/0	731/0
Jul	741/0	744/4	743/4	737/0
Aug	740/2	743/0	741/4	735/6
Sep	726/6	730/0	728/4	723/0
Nov	719/2	723/4	721/4	715/0
Jan	727/4	731/2	729/4	724/4
Mar	735/0	739/0	738/0	733/4
May	741/0	746/0	744/0	738/4

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
May	23.28	23.17	23.33	23.02
Jul	23.78	23.69	23.90	23.65
Aug	24.03	23.94	24.14	23.82
Sep	24.30	24.22	24.40	24.05
Oct	24.42	24.43	24.58	24.30
Dec	24.76	24.86	24.99	24.65
Jan	24.87	24.97	25.10	24.85
Mar	25.35	25.50	25.36	25.25

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
May	222.4	224.0	224.0	220.5
Jul	222.9	223.8	224.0	220.4
Aug	222.2	221.9	222.5	219.0
Sep	219.2	219.0	219.5	218.1
Oct	216.0	215.5	216.0	213.0
Dec	214.5	214.0	214.5	212.0
Jan	214.5	213.7	214.5	212.0
Mar	213.7	214.0	213.8	212.0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
May	273/4	274/0	274/4	272/4
Jul	274/0	274/6	275/0	272/6
Sep	265/0	266/6	266/6	264/4
Dec	263/2	265/4	265/0	262/2
Mar	269/4	272/0	271/0	269/4
May	271/2	273/2	271/6	270/4

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
May	426/4	423/6	430/0	424/0
Jul	412/4	410/0	414/4	410/4
Sep	420/2	417/2	421/6	417/6
Dec	432/2	429/4	434/0	430/0
Mar	438/4	436/4	440/0	436/4
May	426/0	426/4	429/0	426/4

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jun	72.05	71.45	72.17	71.65
Aug	68.27	67.85	68.32	67.95
Sep	68.60	68.40	68.80	68.60
Oct	69.50	69.22	69.65	69.35
Dec	70.62	70.35	70.85	70.35
Feb	71.25	70.87	71.25	70.80

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Jun	47.42	46.92	47.50	47.15
Jul	48.30	47.72	48.42	48.02
Aug	46.62	46.20	46.85	46.30
Oct	43.67	43.12	43.70	43.20
Dec	45.15	44.80	45.25	44.90
Feb	46.25	46.17	46.25	46.17
Apr	44.90	44.90	44.90	44.90

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
May	31.75	30.67	31.97	30.95
Jul	31.62	30.82	32.10	30.95
Aug	31.30	30.60	31.70	30.60
Feb	46.72	46.62	47.00	46.20
Mar	46.10	46.00	46.40	46.00
May	47.25	47.25	0	0
Jul	47.80	48.00	0	47.80

LONDON STOCK EXCHANGE

Equities lower after sluggish session

THERE WAS no rush to return to work in the London stock markets yesterday following the UK Bank Holiday which raised the curtain for a week featured by holiday closures in several other world financial centres. Some trading desks were lightly manned and turnover in equities was well below recent levels.

While the UK markets have little to face in the shape of domestic economic data this week, there is some caution ahead of the outcome of tomorrow's important by-election in a Welsh constituency where the Thatcher Government candidate is expected to face a strong challenge. Nor was the lacklustre mood in the stock market helped by a threatened transport strike in London next week.

However, there was little serious selling pressure, despite a widening list of share price falls as the session progressed.

"The market looks tired and in need of a rest after last week's challenge to its post Crash peak," commented one leading trader. Friday brings the close of the extended three week trading Account in equities – three week Accounts are traditionally unpopular with marketmakers.

After a slow start, equities slid away to show a net fall of 14 FT-SE points and then tried, but failed to rally, as Wall Street opened higher.

By the close of the session, the FT-SE Index had returned to its low for the day to show a fall of 14.9 points at 2,103.9. The truer picture of the day came from the Seaq volume total which, at only 333.9m shares, indicated a torpor on the scale of holiday trading experiences.

Against this background, traders described the market as, "quite steady". Fears that domestic interest rates could yet be forced higher have not by any means disappeared, and some analysts have already set their sights on the next set of UK trade figures, due on May 27. However, with the pound still steady as some central banks acted to restrain the dollar, any concerns over UK base rates were muffled yesterday.

Dealers expressed reservations about the handful of shares which moved higher, against the trend of yesterday's market. Somewhat ancient stores about takeovers or disposals were resurrected in some market sectors.

Consolidated Gold Fields edged higher as the market's uncertainty over prospects for Minorco's £3.5bn bid was amplified by the announcement by London's International Stock Exchange that takeover reporting rules would continue to apply to dealings in Gold Fields shares.

The ruling has little practical application at present, since trading in Gold Fields shares has slowed to a trickle as the big institutions await developments: a mere 174,000 turned over in yesterday's market.

Account Dealing Dates

First Dealings	Apr 17	May 2	May 22
Option Declarations	[illegible]	May 18	Jun 1
Last Dealings	[illegible]	May 19	Jun 2
Account Day	[illegible]	May 30	June 12

[illegible]

FINANCIAL TIMES STOCK INDICES

	May 2	Apr 28	Apr 27	Apr 26	Apr 25	Year Ago	1989 High	1989 Low	Since Compilation High	Since Compilation Low
Government Secs	86.60	86.65	86.68	86.64	86.24	89.70	89.29 (8/2)	85.84 (13/4)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	97.67	97.25	97.04	97.00	96.97	97.47	99.59 (15/3)	95.93 (4/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary	1736.3	1750.4	1745.9	1731.4	1708.9	1449.7	1761.1 (14/3)	1447.8 (3/1)	1926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	176.9	185.0	186.2	185.1	186.5	201.3	196.1 (28/3)	154.7 (17/2)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	4.48	4.45	4.48	4.51	4.56	4.49				
Earning Yld %(full)	10.90	10.84	10.79	10.92	11.05	11.63				
P/E Ratio(Net)(*)	11.08	11.15	11.21	11.08	10.96	10.52				
SEAQ Bargains(5pm)	25,423	30,007	28,132	26,898	24,423	26,702				
Equity Turnover(£m)†	-	1302.48	1465.09	1416.64	1375.06	958.18				
Equity Bargains†	-	33,635	32,061	29,664	27,511	30,913				
Shares Traded (ml)†	-	505.9	521.1	582.9	528.9	325.1				

Ordinary Share Index, Hourly changes

● Opening	● 10 a.m.	● 11 a.m.	● 12 p.m.	● 1 p.m.	● 2 p.m.	● 3 p.m.	● 4 p.m.
1748.9	1744.3	1744.8	1744.6	1742.6	1740.1	1741.7	1741.0

DAY'S HIGH 1748.9 DAY'S LOW 1736.3

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974, ☆Nil 10.98 †Excluding intra-market business. * Corrected figure.

● S.E. ACTIVITY

Indices	Apr 28	Apr 27
Gilt Edged Bargains	98.1	95.3
Equity Bargains	217.9	207.8
Equity Value	2632.6	2961.3
5-Day average		
Gilt Edged Bargains	93.4	94.0
Equity Bargains	133.8	185.5
Equity Value	2592.8	2537.3

● London Report and latest Share Index: Tel. 0898 123001

Granada estimates trimmed

Granada, the leisure and consumer electronics group, fell sharply on growing nervousness regarding the profits outlook. Sources close to Granada yesterday spoke of current year pre-tax profits in the region of £170m-174m and predicted that brokerage houses would soon focus on this range.

Granada told shareholders yesterday, in a circular concerning the disposal of its Barranquilla property investment arm, that "consumer electronics retailing is being affected by difficult trading conditions both in the UK and overseas."

Hoare Govett, the company's broker, recently downgraded its forecast for this year to £184m, and the market caught hints yesterday that Warburg Securities had cut its figure to £174m.

The market assumes that rising interest rates are the problem, one analyst drawing parallels with similar, widely publicised, trends at electrical retailers Dixons and Rumbelows, part of Thorn EMI. *Profits forecasts for Dixons and* Thorn have both been reduced over the last two months. Granada shares closed at 355p, the low of the day, a decline of 10. Turnover was just under 1m shares.

Racal speculation

The upward spiral in the *Racal twins, Electronics and* Telecom moved into overdrive. Behind the latest upsurge were stories in the weekend Press that the group is about to embark on a series of asset disposals and joint ventures which could raise as much as £300m this year.

The big gains in the Racal stocks recently have been attri*buted to talk that Racal Elec*tronics is seeking a sponsored ADR facility, while stories that Racal could be about to dispose of some of its non-core activities have been in the market for at least a couple of weeks. Yesterday a company official was quoted as saying the stories were "pure speculation". But it was also reported that a major announcement regarding Racal Electronics' data communications operations would be made at 11.30am today. One electronics sector analyst viewed the reported £300m as "a little on the optimistic side."

Racal Electronics shares raced up to a year's best of 456p before easing back to *close a net 10 up at 450p with* turnover expanding to 8.3m shares. Last week more than 34m Racal shares changed hands. Racal Telecom spurted 15 to 376p on turnover of 2m. There was also talk yesterday that the stock shortage evident in both shares, had become even more acute.

Agency challenge

WPP's attempt to challenge the position of Saatchi & Saatchi as the world's largest advertising group found the market none too responsive. WPP shares dropped 54 to 630p, partly showing concern that the intimated £426m offer for Ogilvy Group, the US agency, might have to be increased following the latter's initial hostility and WPP's desire for a friendly merger.

There were also worries of earnings dilution, although WPP head, Mr Martin Sorrell, claimed the bid of $45 for each Ogilvy share was non-dilutive treating the convertible preference element of the offer as debt rather than equity. Ogilvy shares, up sharply in New York on Monday, continued to trade at around $49¼ early yesterday.

Mr Andrew Mills, sector researcher at BZW, said the motives for an agreed deal are twofold: "Firstly, there is good strategic fit between JWT (WPP's US subsidiary) and Ogilvy with both companies well-balanced geographically and by activity. Secondly, there is opportunity for operating margin enhancement from 7.9 per cent in 1988 to 10 per cent in 1989."

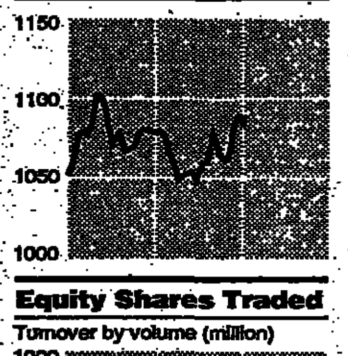
Fisons weakened sharply after the expected decision in the US against its drug Pentamedine. But analysts said that the market had over-reacted. "It's purely a sentiment reaction – nobody should have pentamidene in their figures anyway," said Mr John Aldersley at Citicorp Scrimgeour Vickers. This sentiment was echoed by several others, and Dr Erling Refsum at Nomura pointed out that Fisons had enjoyed a good run ahead of the announcement.

Food and brewing group Grand Metropolitan were a firm market most of the day, peaking at 578p before settling back unchanged at 574p in reasonable trade. The shares were initially helped by speculation that Mr Jacob Rothschild had increased his stake to 0.4 per cent, but dealers and analysts dismissed the story as insignificant.

The real source of the stock's strength, said dealers, could be found in its recent poor showing; GrandMet shares have underperformed the market in the past year by nearly 11 per cent. This fact, said traders, makes the stock an inexpensive buy at the moment, particularly with interim figures coming up next week. Broker Kitcat & Aitken issued a buy circular over the weekend and estimates half-year earnings will reach £290m.

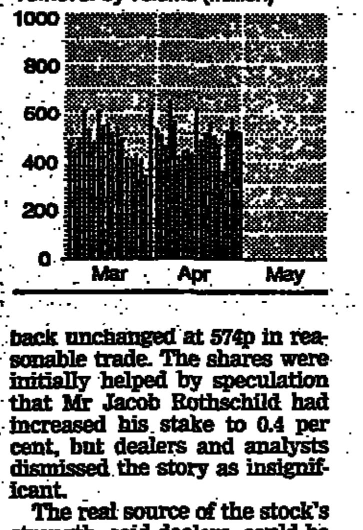
Royal Bank of Scotland edged up to 384p ahead of Wednesday's interim figures. Describing Royal Bank as "undervalued," the Smith New Court banks' team said the results should confirm the strongest underlying profits performance in the sector. The broking house is forecasting pre-tax profits of £155.5m, compared with £137.3m at the same stage last year. Hoare Govett is going for £160m and UBS Phillips & Drew for £165m.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)



Jewellery group **Ratners** performed well among weaker Stores. The shares moved against the trend to put on 2 at 222p after broking house Shearson Lehman Hutton issued a strong buy note on the stock. "The 26 per cent discount rat*ing to the stores sector*, widening to 35 per cent this year, fails to recognise the group's dominant position in UK jewellery retailing and its immense opportunity in the US jewellery trade," wrote Shearson.

Moss Bros, the retailing chain, were also better on the day, adding 10 at 233p after revealing a 66 per cent jump in annual profits to £2.59m.

Among the many falls, **Coats Viyella** stood out with a decline of 2½ to 163p in the wake of a downgrading from Mr Peter Hyde, the Kleinwort Benson analyst, who has lowered his forecast for the year ending December 1989 by £13m to £135m, and for the following year by £5m to £155m. Continued poor demand from retailers expecting zero price increases this year on clothing, poor domestic carpet sales, and the general margin squeeze on textile manufacturers were behind the downgrading, said Mr Hyde.

Activity on the electronics arena focused on some aggressive business between marketmakers. "With so little genuine business about everyone is fighting over scraps; it's very sad and very expensive with relatively small deals triggering some excessive price movements," said one dealer.

Cable & Wireless dropped 11 to 490p on turnover of 2.6m, and was said to have been a victim of the what dealers described as "wrecking business". **STC**, on the other hand, added 7 *at* 335p on turnover of 1.7m. There was further talk of an imminent deal with Siemens regarding an ICL joint venture.

GEC eased 3 to 237p on turnover of 1.8m in spite of a "strong buy" recommendation from Mr Brian Newman of Henderson Crosthwaite, the broking firm. Describing the company as "the next electrical glamour stock", Mr Newman highlights the possibility that GEC/Siemens will eventually pay around 290p for Plessey with estimated earnings dilution of less than 2.5 per cent on the Henderson profits estimate for Plessey of £220m and assuming interest on cash of 12 per cent. He also expects the dividend will increase by 20 per cent per annum compound and that GEC will go for overseas listings in Japan, the US and on other European exchanges.

Oxford Instruments attracted further bid speculation and jumped 13 more to 253p.

Glynwed suffered as County NatWest WoodMac issued a sell recommendation and the shares ended 11 down at 304p. County has taken the view that the company's record of promising and delivering 20 per cent growth a year was about to end. The securities house said the cause was high interest rates and stiffer competition from the likes of IMI.

Among Food manufacturers **Ranks Hovis Macdougall** featured as suggestions that an agreed merger might be on the cards with Australian group Goodman Fielder Wattie left the shares 15 weaker at 354p in moderate trading. Dealers are worried that a merger could lead to a dilution of RHM's equity.

Another stock to outclass the market was **United Biscuits**, 2 firmer at 330p on the feeling if Sir Hector Laing, the chairman, does take more of a back seat in the running of the group, UB would be more vulnerable to a foreign takeover, particularly from Europe where companies such as France's BSN are keen to break into the lucrative UK food market.

Retailers, last month's star performers, did not escape the wider market's malaise. Volume in **Asda**, down 5 at 160p on profit-taking, and **Gateway**, unchanged at 191p, was relatively light by recent standards at 4.8m and 3.9m shares respectively.

Dealers marked up **Hunting Associates** on news of its 46 per cent jump in full year profits and the price rose further to close 25 higher at 450p. **Hunting Gibson** firmed 9 to 220p in sympathy.

Saatchi & Saatchi ran against the trend with a fresh rise of 4 to 286p while press suggestions of a looming Anglo/French battle for control of **Boase Massimi Pollitt** pushed the shares up 4 to the best level this year of 325p. **Prospective Group** responded to the merger talks with Doctus by rising 8 to 71p.

National Home Loans winced at a County NatWest WoodMac sell recommendation so soon after last week's sharply higher first-half profits and the shares closed 6 easier at 105p. Mr Hugh Pye of the securities house advises this action, believing competitive pressures on the company's margins will continue during the second-half and new business levels will be subdued. "With falling earnings and no dividend increase the shares are likely to remain underperformers," concluded the County analyst.

Harrisons & Crosfield (188p) eased marginally awaiting today's preliminary statement which is expected to reveal profits of around £125m compared with £90.1m for the previous year.

Weakening crude oil prices took the edge off the oil and gas sector. Nevertheless, dealers and analysts said the sector had performed creditably with the major issues only fractionally down on balance.

Brent crude for June delivery was showing a fall of some 30 cents a barrel towards the close with sector observers slightly disturbed by evidence of Saudi output creeping steadily higher.

Turnover in the sector was disappointing. Some 3.5m **Gas** were traded with the shares finally 2 off at 178½p while only 2.9m *BP* changed hands, the lowest turnover for a considerable time; BP shares were 2½ easier at 537p. **Shell** slipped 4 at 404p.

Among the new issues enjoying mixed fortunes on their debut were **Boxmore**, the Irish plastic bottle packaging group, which reached 111p at the close against a placement price of 100p. Specialist vehicle insurers **Diamond** also performed creditably, ending at 93p

■ Other market statistics, including FT-Actuaries Share Index and London Traded Options, Page 26

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing Price	Day's change
ASDA Group	4,300	168	-5
Allied-Lyons	998	454	-5
Amstrad	917	114	-2
Argyll Group	104	193	-2
Ass. Brit. Foods	14	337	
BAA	686	377	
BAT Inds.	589	547	-5
BET	838	283	-4
BICC	518	489	-5
BOC	303	499	-7
BPB Inds.	257	242	-2
BTR	662	369	-2
Barclays	847	449	-3
Bass	460	943	-10
Beecham	1,200	622	-8
Blue Circle	223	535	-1
Boots	1,700	288	-2
Brit. & Comm.	1,300	207	-2
Brit. Aerospace	265	588	-5
British Airways	743	196	
British Gas	3,500	178½	-2
British Land	38	365	-1
BP	2,900	287½	-2½
British Steel	7,600	84½	
British Telecom	3,300	262	-6
Burmah Oil	215	561	-4
Burton	1,800	211	-1
Cable & Wireless	2,600	490	-11
Cadbury Schweppes	876	351	-3
Carlton Comm.	93	843	-2
Commercial Union	301	384	-1
Cons. Gold Fields	174	1308	+8

Stock	Volume 000's	Closing Price	Day's change
Cookson	775	314	+4
Courtaulds	2,000	326	-6
Dalgety	209	369	+2
Dixons	2,200	144	-1
Eng. China Clays	436	527	
Enterprise Oil	63	537	-1
FKI Babcock	429	168	-1
Fisons	3,200	297	-8½
Gateway Corp	3,900	191	
General Accident	118	937	-8
General Elect.	1,800	237	-3
Glaxo	519	1385	+5
Globe Inv.	44	172½	-½
Glynwed Int.	1,300	304	-11
Granada	926	355	-10
Grand Met.	1,500	574	
GUS A	229	1852	+1
GRE	189	204	-2
GKN	432	386	+1
Guinness	1,380	461	-4
Hammerson 'A'	29	800	-4
Hanson	2,300	192½	-½
Harrisons & Cros.	415	188	-2½
Hawker Siddeley	114	703	-1
Hillsdown Hldgs.	824	269	
IMI	1,500	229½	-4½
Imp. Chem.	755	1208	-12
Inchcape	467	369	-1½
Jaguar	327	298	-4
Kingfisher	209	295	-2
Ladbroke	566	564	+3
Land Securities	145	565	-4

Stock	Volume 000's	Closing Price	Day's change
Laporte	29	428	-1
Legal & General	409	316	+1
Lloyds Bank	607	358	-1
LASMO	162	465	-2
Lonrho	494	277	-1
Lucas	498	625	+3
MB Group	257	206	-1
MEPC	49	564	-5
Marks & Spencer	4,200	169	-2
Maxwell Comm.	2,700	184	-1
Midland Bank	951	339	-2
Nat. West. Bank	1,700	597	-5
Next	623	143	
Northern Foods	415	304	-1
Pearl	9	415	
Pearson	101	724	-4
P & O	297	670	-4
Pilkington	474	247½	-2½
Plessey	227	262	-1
Polly Peck Intl.	1,000	310	-6
Prudential	1,800	179	+½
RHM	3,200	354	-15
RMC	200	691	+3
RTZ	500	528	+1
Racal	8,250	450	+10
Rank Org.	146	966	-1
Reckitt & Colman	105	1139	-1
Redland	264	533	-1
Reed International	609	400	-5
Reuters	398	728	
Rolls Royce	733	190½	-1½
Rothmans	29	492	-2

Stock	Volume 000's	Closing Price	Day's change
Royal Bk of Scotland	107	384	+1
Royal Insurance	429	405	-5
STC	1,700	335	+7
Saatchi & Saatchi	1,380	286	+4
Sainsbury	437	241½	-1½
Scott & Newcastle	932	299	-1
Sears	2,400	122	-1½
Shell Transport	1,300	404	-4
Siebe	232	473	-5
Slough Ests	64	329	-1
Smith & Nephew	2,200	147	-1½
Smiths Industries	731	310	-1
Standard Chartered	367	535	
Storehouse	1,100	174	
Sun Alliance	75	1144	-2
T&N	3,600	209	
TSB	2,600	187	-½
Tarmac	1,100	311	-3
Tate & Lyle	1,400	236	
Taylor Woodrow	62	622	
Tesco	1,700	169	-4
THORN EMI	495	685	-3
Trafalgar House	351	387	-3
Trusthouse Forte	1,300	291	-4
Ultramar	144	306	-1
Unilever	1,000	547½	-1½
United Biscuits	1,400	330	+2
Utd Newspapers	418	440	-4
Wellcome	1,000	481	+3
Whitbread 'A'	652	365	-6
Williams Hldgs.	379	267	+½
Wimpey	1,000	285	+1

NEW HIGHS AND LOWS FOR 1989

NEW HIGHS (166). BRITISH FUNDS (2) Treas. 5pc 1986-89, Treas. 8pc 1990, LOANS (1) Agric. Mt. 5pc '59-89, AMERICANS (20), CANADIANS (14) BANKS (3) Capital Leasing, Sec. Pacific, BREWERS (4) Clark (Matthew), Macallan-Glenlivet, Macdonald Martin A, Morland, BUILDINGS (7) CHEMICALS (2) Leigh Interests, Yorkshire Chems., STORES (2) Jacques Vert, Ratners, ELECTRICALS (17) ENGINEERING (7) FOODS (3) Morris'n (W.), Sainsbury (J.), Watson & Philip, HOTELS (1) Grand Met., INDUSTRIALS (21) ADT, B.H. Prop., Brit. Syphon, Barby Grp., Davies (D.V.), Dinkie Heel, Dover Corp., Feel Tech., Green (E.) & Part., Hunting Assoc., Hutch Whamp., Jardine Hldgs., Laidlaw Thomson, London Finance & Inv., Min. & Allied Sup., Parkfield Grp., Record Ridgw., Sotheby's "A", Spong Hldgs., Sycamore Hldgs., Wilshaw, INSURANCE (1) Torchmark, LEISURE (4) MOTORS (3) Quicks Grp., Western Motor, NEWSPAPERS (2) Home Counties, Independent, PAPERS (6) PROPERTY (7) SHIPPING (3) SHOES (1) Futura Hldgs., TEXTILES (4) TRUSTS (27) OILS (4) MINES (1) Gopeng Berhad, THIRD MARKET (3) *Propeller, Whitegate Lels., Do. Wrts.*

NEW LOWS (33). AMERICANS (2) Data General, Hasbro Inc., CANADIANS (3) Am. Barrick Res., Breakwater, Can. Pacific, STORES (2) Goldberg (A.), Moss Bros., ELECTRICALS (1) Amstrad, ENGINEERING (1) Airship Inds., FOODS (1) Fitch Lovell, INDUSTRIALS (5) Cannon St Invs., Coated Electrodes, Hestair, Spring Ram, Wills Grp., MOTORS (1) Trimoco, NEWSPAPERS (1) Southnews, PAPERS (3) Assoc. Paper, Barker (Charles), Smith (David S.), PROPERTY (1) UK Land, TEXTILES (2) Drummond Grp., Lowe (R.H.), TRUSTS (3) MINES (7) Anglo Amer., Blyvoor *Croesus Mining*, East Rand, Elsburg, Gold Fields S.A., OFS Invs.

APPOINTMENTS

Information technology changes at Midland

■ Mr Ronald L. Price, group computer operations director, has been appointed director - group information technology, MIDLAND GROUP, and Mr Anthony Chalmers, group systems director, becomes director - card and electronic products, both from May 1.

■ Mr David Lloyd, technical manager, has been appointed to the board of BARRATT URBAN RENEWAL (NORTHERN), Salford, as technical director.

■ Dr Robert M. Powers has joined the board of TATE & LYLE as a non-executive director. A US citizen, he recently retired as president and chief executive officer of A.E. Staley Manufacturing Co, Decatur, Illinois.

■ THE BRITISH AUTOMOBILE RACING CLUB has appointed Mr Dennis Carter as chief executive from June 1. He is competition director, and will work in tandem with Mr Sidney Offord the present chief executive, until October 31.

■ Dr Leo K. Lam has been appointed chief executive of IDF INTERNATIONAL BV, a subsidiary of English China Clays.

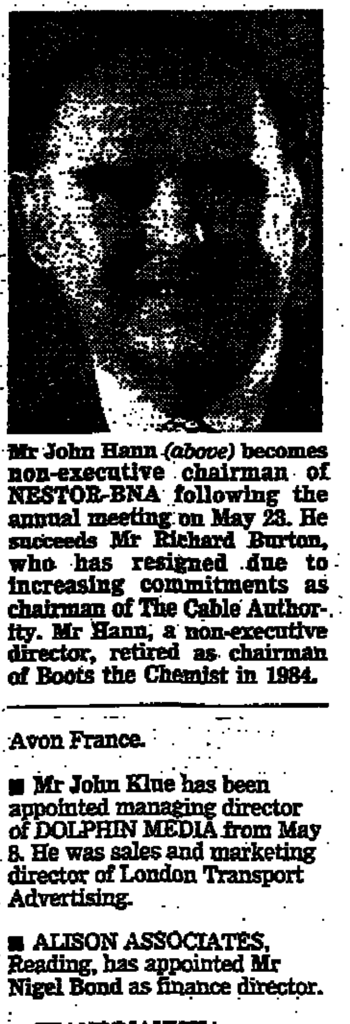
■ GRANVILLE & CO has appointed Mr Andrew Roberts to the board. He is a director of Torevell Mahon Granville, a personal financial planning company acquired by Granville.

■ KIDDER, PEABODY SECURITIES has appointed Mr Jeremy Dongall to head all fixed rate trading in London. He joins from Chase Investment Bank where he was a managing director.

■ Mr David Bell has been appointed advertisement director of FINANCIAL TIMES in succession to Mr John Worley who is retiring. Mr David Walker, news editor, will succeed Mr Bell as managing editor, and Mr Alain Cass, international edition editor, becomes news editor.

■ TSB TRUST COMPANY has appointed Mr John Lee as deputy chief executive from May 2. He will be responsible for four business units: life and pensions; general insurance; unit trusts; and insurance brokers. Mr Lee joins from Midland Bank where he was chief manager, Midland Access.

■ Mr Paul Southworth, president and chief executive officer for AVON COSMETICS, UK, has been promoted to vice president - Europe. He is succeeded by Mr David Arnold, general manager, Avon France.



Mr John Hann *(above)* becomes non-executive chairman of NESTOR-BNA following the annual meeting on May 23. He succeeds Mr Richard Burton, who has resigned due to increasing commitments as chairman of The Cable Authority. Mr Hann, a non-executive director, retired as chairman of Boots the Chemist in 1984.

■ Mr John Kime has been appointed managing director of DOLPHIN MEDIA from May 8. He was sales and marketing director of London Transport Advertising.

■ ALISON ASSOCIATES, Reading, has appointed Mr Nigel Bond as finance director.

■ SKANDINAVISKA ENSKILDA BANKEN, London Branch, has appointed Mr Adrian Bennett as senior vice president, operations, and head of administration. He was vice president, manager operations, at NCNB Texas National Bank. Mr David Bradshaw has been promoted to vice president, business management group.

Legal & General Group financial services post

■ Mr Colin Harris, formerly director (life), has been appointed managing director financial services at LEGAL & GENERAL GROUP. He is succeeded by Mr Ian Chaytor, who was agency manager.

■ Dr Rudolf Beck has been appointed a non-executive director of MONARCH RESOURCES. He was head of exploration with The Royal Dutch Shell Group.

■ C.I. de ROUGEMONT & CO has appointed Mr S.H. Shohet, chairman of Duckminster, as a non-executive director.

■ Mr Anthony Fraser has been appointed to the main board of NISSAN UK as director of external affairs.

■ Mr Richard Cox-Johnson has been appointed to the board of the LONDON DOCKLANDS DEVELOPMENT CORPORATION. He was chairman of PK English Trust, and remains a non-executive director.

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AUTHORISED UNIT TRUSTS

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Abbey Unit Tst Mngrs (1000)H						
80 Holdenhurst Rd, Bournemouth 0345 717373						
High Income						
American Income	6	49 51	49 98	53 17	+0 73	5 15
Gilts & Fixed Int	6	111 8	111 8xd	118 8	-0.5	6 42
High Inc Equity	6	131 6	134 6xd	143 1	-1 0	4 44
Worldwide Bond	6	186 3	186 3xd	197.5	-2.8	4 91
Capital Growth						
American Growth	6	169 00	170 9	181 8	+2 0	1.36
Asian Pacific	6	94 22	96 26	102 4	+1.1	68
Assets & Earnings	6	157 5	157 5	168.5	-5 0	1.54
Capital Reserve Acc	0	83 77	83 77	83 92	-0 38	4 77
Comdty & Energy	6	96 18	96 18xd	102 90	-3 0	1 02
1992 Enterprise	6	56 21	57.28	60 93	-0 22	2 95
European Capital	6	82 09	82.61	87 88	-0 67	85
General	6	174 5	174 5	186 7	-3 1	2.31
Japan	6	109 1	111 0	118 0	+1 1	0.00
Mastertrust	6	82.91	82.91	88 68	-0.15	1.61
UK Growth Acc	6	198 60	198 6	212.50	-7 4	1.06
UK Growth Dist	6	132 4	132 4xd	141 7	-5 0	1.59
US Emerging Cos	6	50 41	52.02	55 33	-0 49	0.00
Income & Growth	6	285 90	285 9	305 9	-11 4	3.35
Ethical	6	48.37	49 57	52.73	-0 18	2.37
Abtrust Management Ltd (1000)H						
10 Queens Terrace, Aberdeen AB9 1QJ 0800 833580						
Amer Inc & Growth	5	28.31	28 31xd	30 22	-0.28	3 88
European	5½	59 15	59 29	63 29	-0 28	0 00
European Income	5½	58 83	58 83	62.80	-0 82	3 48
Exempt	1	792.6	792.6xd	827 2	-4 60	2 43
Extra Income	5	42.91	42 91	45 81	-0 13	5.12
Burrage Unit Tst Mangmt Ltd (0905)F						
117 Fenchurch St, London EC3M 5AL 01-480 7216						
Sm Dsc Gilt & FI	1¼	52.78	52.78	53.56	+0 05	2.95
CCL Unit Trusts Ltd (1400)F						
74 Shepherds Bush Green W12 8SD 01-740 7070						
UK General Tst	5½	53 75	54 64	58 44	-0 20	2.70
Global Tst	5½	42 44	42.58	45 54	+0 06	2.30
Recovery Tst	5½	54.98	57 51	61.18	-0.15	1.92
CIBC Unit Tst Managers plc (1200)H						
Cottons Ctr, Cottons Lane Ldn SE1 2QL 01 234 6000						
Growth Fd Acc	5	107 0	108 4xd	114 4	-0.3	3 69
CS Fund Managers Limited (1000)H						
125 High Holborn, London WC1V 6PY 01-242 1148						
CS America	5	55 27	55 27xd	58 79	-0 27	0 56
CS International	5	53 66	53 66xd	57 08	-0.18	1.89
CS Japan	5	123 7	123 7	131 5	+0.7	0.33
CS Portfolio Inv ♦	5	70.08	70 08	74.55	—	1.70
Canada Life Unit Tst Mgrs Ltd (1200)F						
2-6 High St, Potters Bar Herts 0707 51122						
Can Gen Dist	5	138 1	143 3	150.8	-0.60	3 07
Do Gen Accum	5	230 4	239 0	251 6	-1.00	3.07
Do Income Dist	5	93.38	97 25xd	102 4	-0 40	5.50
Do Inc Accum	5	213 9	222.8	234.5	-1.00	5.50
Gilt & Fxd Int	5	36 46	36 54	38.46	-0.27	8.35
Cannon Fund Managers Ltd (0700)H						
1 Olympic Way, Wembley, HA9 0NB 01-902 8876. Dealing. 0800 282621						
Growth	5½	38.13	38 47	41.15	+0 07	2.49
Income	5½	47 60	48 20	51.55	+0 13	4 04
Far East ♦	5½	36 11	36 77xd	39.12	+0.38	0.16
North American ♦	5½	31 74	32 26xd	34 32	-0 09	2.09
Global ♦	5½	50 44	51.35	54 63	+0.34	1 80
European	5½	49 68	50 44	53 66	-0.51	1.00
Japan ♦	5½	102.2	103.3	110 5	+1.10	0.01
Intl Currency Bd	5½	42.01	42.01xd	44.55	+0 09	6 75
Elcon Ltd (1600)F						
Central Ct, Knoll Rise, Orpington, BR6 0JA 0689 70538						
Elcon Trust	5	152.69	153.9	164.9	+3.6	—
Equitable Units Admin Ltd (1600)F						
Walton St., Aylesbury, Bucks, HP21 7QN 0296 431480						
European	6	45 56	46.73	49 72	-0.27	1 71
Far Eastern	6	148.32	151.89	161.59	+1.38	0 50
Gilt & Fxd Int	6	50.93	51 05	54 31	—	7.73
High Income	6	109 26	111.54	118 66	-0 27	5 03
Intl Growth	6	66 26	67 80	72.13	+0 06	1 66
North American	6	67 25	68.87	73 27	+0.25	1.23
Pelican	6	102 76	104 64xd	111.32	-0 16	3 86
Special Sits	6	110.39	113.38	120 62	-0 15	2.94
Tst of Inv Tsts	6	104 67	107 28	114 13	-0 22	2.07
Equity & Law Unit Tst Mngrs (1200)H						
Equity & Law Hse, Corporation St, Coventry 0203 553231						
UK Growth Acc	5¼	204 7	205 6xd	218 8	-1 50	3.70
UK Growth Inc	5¼	164.3	164 9xd	175.5	-1 40	3 70
Higher Inc Acc	5¼	379.6	381.3xd	405 7	-3 40	4 79
Higher Inc Inc	5¼	275 4	276 7xd	294 4	-2.50	4 79
Gilts/Fxd Int Acc	5	115 4	115.4	121.4	-0 70	8.79
Gilts/Fxd Int Inc	5	80 06	80 06	84.28	-0 44	8 79
Nth America	5¼	128 6	129 8xd	138.1	+1.10	0.14
Far East	5¼	242.4	244 4xd	260.0	+3.70	0 01
Europe	5¼	178 7	180.3xd	191 9	+1.10	0.00
General	5	293.6	294 4xd	313 2	-2.10	3 78
Brit Excell	5¼	45 88	45 88xd	48.81	-0.52	3 03
Brit Fndmtls Acc	5¼	55.35	55.35xd	58 89	-0 46	6 48
Brit Fndmtls Inc	5¼	52.31	52.31xd	55.65	-0 46	6 48
Global Opps	6	47.51	47 86	50 92	+0 92	2.66
Exeter Fund Managers Ltd (1400)F						
23 Cathedral Yard, Exeter EX1 1HB 0392 412144						
Fd of Inv Tsts	5	23.39	23 70	25.22	-0.07	1.45
High Income	5¼	48.39	49 92xd	52.83	+0 1	9.38
Capital Growth	6	46.36	47.48	50.92	+0 92	—
Provident Mutual Unit Tst Mgrs Ltd (0905)H						
25-31 Moorgate, London, EC2R 6BA 01-588 3963						
PM Equity Gth	5	120 6	123.0	130 8	+0.2	2.73
PM Income & Gth	5	104.6	106 4	113 1	-0.7	4.63
PM Ntr Amer Gth	5	49.45	49.45xd	52.60	-0 17	1.43
PM European Gth	5	50.43	50.43xd	53 64	-0.32	0 83
PM Japan Gth	5	80.16	80.32xd	85 44	+1.28	0.29
PM Overseas Gth	5	51.81	51.81xd	55.11	+0 41	0.48
Prudential Holborn Unit Tsts Ltd (1445)H						
51-59 Ilford Hill, Ilford, Essex IG1 2DL 01-478 3377						
Holborn LinkLine 0800 010345						
Two Hourly Pricing						
Holborn Comm	6	71.56	71.56	76.53	+0 29	0.32
Holborn Equity Inc	6	69.48	69.48	74 31	+0.05	4.61
Holborn Equity	5	554.74	562.54xd	595 28	-2.04	2.58
Smith & Williamson Unit Tst Mgrs (1000)F						
1 Riding House St, London W1A 3AS 01-637 5377						
S & W American	5	152 4	154.1	163 1	+1 3	1.70
S & W Far Eastern	5	100 1	100.9	106.7	+0 2	0 00
S & W Growth	5	94.24	95.89	101 4	+0.7	2.11
S & W Income	5	97.84	99 97	105 7	+0 1	4 84
S & W Smllr Secs	5	257 2	265.4xd	280 8	+0.9	1.08
Sovereign Unit Tst Mngrs Ltd (1000)F						
12 Christchurch Rd, Bournemouth 0202 298422						
Cntrld Prfrmnce	5½	49.52	50.26	53 53	-0.02	8 67
Income	5½	44.39	45 12xd	48.26	+0.13	7.07
Intl Growth	5½	54.52	54 82xd	58 63	-0.13	2.63
Managed	5½	51 12	51.48xd	55 06	-0 04	3 74
UK Growth	5½	46.79	47 33xd	50.62	-0.19	4 82

GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ♥ - 0001 to 1100 hours; ♦ - 1101 to 1400 hours; ♠ - 1401 to 1700 hours; ♣ - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.
Other explanatory notes contained in last column of the FT Unit Trust Information pages.

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Windsor Trust Mngrs Ltd (1200)F
83 Kingsway, London, WC2B 6SD 01-405 8331

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Grs
Combd & Equity	5	64.73	67.21	71.50		4.72
European	5	82.94	83.39	87.39	-0.32	0.18
Far Eastern	5	60.66	60.20	64.43	+0.43	0.84
Growth Inc	5	90.33	93.57	99.55	+0.50	1.39
Growth Acc	5	90.33	93.57	99.55	+0.50	1.39
Income Inc	5	82.98	84.65	90.05	-0.33	5.46
Income Acc	5	82.98	84.65	90.05	-0.33	5.46
Property Share	5	54.69	54.69	58.28		1.06
Smaller Co's	5	59.07	62.25	66.21	+0.01	0.46
Formerly RRC Unit Managers Ltd						
Nth American	5	56.89	56.89	60.84	+0.38	1.75
International	5	45.38	45.38	48.52	+0.06	1.48

Wright Seligman Fund Mngrs Ltd (1000)F
11 Blomfield St, London EC2M 7AY 01-588 0592

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Grs
Growth	5	99.55	99.56	104.55	+1.06	3.92

Weekly dealing day Tuesday

The Yorkshire Unit Tst Mngrs Ltd (1300)F
Woodsome Pk, Fenay Bdge, Huddersfield 0484 602250

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Grs
Yorkshire General	5¼	62.68	65.06	69.21	+0.11	2.79
YGTM UK Eqty Inc Tr	5¼	60.51	62.57	66.56	+0.04	4.41
YGTM Intl Gwth Tr	5¼	48.06	48.06	51.32	+0.14	1.07

OTHER UK UNIT TRUSTS

Baillie Gifford & Co Ltd

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Grs
Int'l Expt April 19			451.9	470.51		–

Cent. Bd. of Fin. of Church of England
2 Fore Street, London EC2Y 5AQ 01-588 1815

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Grs
Inv Fund Mar 31			498.00			4.76
Fxd Int Sec Mar 31			142.20			10.06
Deposit Mar 31			100.00			12.56

Charities Official Invest. Fund
2 Fore Street, London EC2Y 5AQ 01-588 1815

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Grs
Income Mar 31			472.94			5.05
Accum Mar 31			1542.18			

Edinburgh Fund Mngrs PLC

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Grs
Exempt Funds						
American May 3			131.1	134.7	-1.7	1.68
Managed May 3			130.1	135.0	+5.6	2.13
Japan Apr 27			137.7	141.5	+1.0	0.14
Pacific Apr 28			444.5	456.7	+6.8	0.21
Sm Jap Cos Apr 28			258.9	266.0	+4.1	0.16

Allied Dunbar Assurance Plc
Allied Dunbar Ctr, Swindon SN1 1EL 0793 514514

	Bid Price	Offer Price	+ or -	Yield Gross
Fixed Int'l Dep. Acc	258.5	272.2	+0.2	–
Equity Acc	835.7	879.7	+2.1	–
Property Acc	488.4	514.2	+0.2	–
Far East Acc	201.3	211.9	+2.6	–
Euroblom Acc	21.8	23.0	+0.1	–
Managed Acc	659.6	694.4	+2.5	–
Managed Cap	375.1	394.8	+0.9	–
O'seas Earnings Acc	956.0	995.3	+0.7	–
Gilt Edged Acc	313.2	329.7	+0.6	–
American Equity Acc	428.4	451.0	+5.1	–
American Man. Acc	199.1	209.6	+1.3	–
American Prop Acc	140.2	147.6	+0.6	–
Pen. F.I. Dep. Cap.	284.8	299.8	+0.3	–
Pen. F.I. Dep. Acc.	485.9	511.5	+0.7	–
Pen. Prop. Cap.	571.8	601.9	+0.1	–
Pen. Prop. Acc.	1077.2	1133.9	+0.6	–
Pen. Man. Cap.	807.4	849.9	-0.8	–
Pen. Man. Acc.	1520.5	1600.6	-0.7	–
Pen. Gilt Edg. Cap.	316.5	333.2	+0.8	–
Pen. Gilt Edg. Acc.	[illegible]	[illegible]	[illegible]	–
Pen. Eq. Cap.	[illegible]	[illegible]	[illegible]	–
Pen. Eq. Acc.	[illegible]	[illegible]	[illegible]	–
Pen. Am. Eq. Cap.	[illegible]	[illegible]	[illegible]	–
Pen. Am. Eq. Acc.	[illegible]	[illegible]	+0.3	–
Pen. Far East Cap.	[illegible]	[illegible]	+4.0	–
Pen. Far East Acc.	[illegible]	[illegible]	[illegible]	–
Pen. Euro Cap.	[illegible]	[illegible]	-0.1	–
Pen. Euro Acc.	[illegible]	[illegible]	-0.2	–
Pen. B.S. Acc.	[illegible]	[illegible]	[illegible]	–
Pen. B.S. Cap.	[illegible]	[illegible]	+0.4	–
Pen. D.A.F. Acc.	[illegible]	[illegible]	+0.5	–
Pen. D.A.F. Cap.	[illegible]	[illegible]	+0.2	–
Pen. Mortgage Cap.	[illegible]	[illegible]	+0.2	–
Pen. Mortgage Acc.	[illegible]	[illegible]	+0.3	–

INSURANCES

Continued on next page

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Premium Life Assurance Co Ltd

37-39, Perrymount Road, Haywards Heath 0444 458721

	Bid Price	Offer Price	+ or -	Yield Gross
American	115.0	122.0	-1.0	-
Building Soc. Fd	170.0	179.0	....	-
Balanced	280.0	295.0	....	-
European	161.0	170.0	-1.0	-
GT Managed	168.0	177.0	—	-
Gartmore Mngd	115.0	122.0	....	-
German	112.0	118.0	....	-
Gilt	176.0	186.0	-1.0	-
Global	48.0	51.0	....	-
High Inc.	116.0	123.0	....	-
International Equity	187.0	197.0	+1.0	-
Japan	242.0	255.0	+3.0	-
Managed	64.0	68.0	....	-
Property	276.0	291.0	....	-
R. W. Imperial Gold	139.0	147.0	....	-
UK Equity	380.0	400.0	+2.0	-
Pension Funds				
American	144.0	152.0	....	-
Building Soc. Fd.	169.0	178.0	....	-
Balanced	214.0	226.0	....	-
European	160.0	169.0	....	-
German	102.0	108.0	....	-
Gilt	148.0	156.0	....	-
International Equity	138.0	146.0	....	-
Japan	135.0	143.0	....	-
Managed	65.0	69.0	+1.0	-
Property	213.0	225.0	....	-
UK Equity	340.0	358.0	+2.0	-

Prolific Life & Pensions Ltd

Stramongate, Kendall, Cumbria LA9 4BE 0539 33733

Managed Fund see Balanced Growth Managed Fund

	Bid Price	Offer Price	+ or -	Yield Gross
Balanced Grth Mngd.	582.3	613.6	+0.6	-
Adventurous Mngd	122.5	129.1	-0.1	-
Secure Mngd	107.2	113.0	....	-
Cash Fd	230.9	243.4	....	-
Property Fund	282.5	300.6	....	-
Equity Fund	646.0	687.3	+0.3	-
Fxd. Int. Fund	296.4	312.4	+1.1	-
International	292.8	311.5	+1.5	-
High Income	472.9	503.1	+0.2	-
Far East	432.1	455.4	....	-
North American	258.5	272.4	+1.7	-
Special Sits	604.2	636.7	-5.3	-
Technology	238.5	253.8	....	-
Extra Inc Fd	282.1	300.2	-0.3	-

Prudential Pensions Limited

Holborn Bars, London EC1N 2NH 01-405 9222

	Bid Price	Offer Price	+ or -	Yield Gross
Discretionary Apr 26.	£149.13	154.27	....	-
Equity Apr 26	£163.26	169.150	....	-
International Apr 26.	£24.43	25.13	....	-
Intl Bond Apr 26	£11.46	11.61	....	-
Fixed Int. Apr 26	£71.26	72.31	....	-
Index Linked Apr 26.	£59.76	60.51	....	-
Property Apr 26	£107.38	113.86	....	-
Cash Apr 12	£20.5515	20.5515	....	-
Pru-Linked Retirement Plan				
Managed Apr 26	369.0	384.4	....	-
Cash Apr 26	193.3	201.4	....	-
Prudential Pensions Investment Account				
Pens Mngd May 2	154.4	162.6	+0.7	-
Pens UK Eq May 2	302.8	318.8	+1.4	-
Pens Intl May 2	176.7	186.0	+0.8	-
Pens Fixed May 2	164.9	173.6	+0.6	-
Pens Index Lk May 2	153.6	161.7	+1.8	-
Pens Cash May 2	126.2	132.9	....	-

Regency Life Assurance Co Ltd

Regency Hse. Lanark Sq. London E14 9XS 01-538 8800

	Bid Price	Offer Price	+ or -	Yield Gross
Aggressive Ptflio Fd.	117.5	123.6	-0.5	-
Balanced Ptflio Fd.	309.2	325.4	-1.4	-
Cautious Ptflio Fd.	120.8	127.1	-0.3	-
Elite Fund	106.5	112.1	-0.7	-
European Fund	80.4	84.6	-0.6	-
Far East Fund	112.2	118.0	+0.5	-
Fixed Interest Fund	241.5	254.2	-0.6	-
International Fund	257.4	270.9	+0.3	-
Money Fund	175.1	184.3	+0.2	-
N. American Fd	114.0	119.9	+0.3	-
Property Fund	414.5	436.3	-0.8	-
UK Equity Fd	379.4	399.3	-2.8	-
A.I.M. Brewin Dipl Fd.	92.4	97.3	-0.4	-
Swim Select Invs.	110.7	116.5	-0.1	-
Chart Safety First Bd.	108.3	114.0	....	-
Exec Master Fd.	92.3	97.2	+0.3	-
Hardwick Growth Fd.	109.0	114.7	....	-
Bentley Haig LR Port.	98.9	104.1	+1.8	-
Milbourne Spec Port.	110.2	116.0	....	-
Swim Global Fd.	109.4	115.3	+0.3	-
Hardwick Tst Fd.	72.0	75.8	....	-

All funds have equivalent pension fund. Series 2 prices above. Others available from Regency Life.

[illegible]

MANAGEMENT SERVICES

[illegible]

OFFSHORE AND OVERSEAS

GUERNSEY (SIB RECOGNISED)

[illegible]

JERSEY (SIB RECOGNISED)

[illegible]

IoM (SIB RECOGNISED)

[illegible]

LUXEMBOURG (SIB RECOGNISED)

[illegible]

JERSEY (**)

[illegible]

SWITZERLAND (SIB RECOGNISED)

[illegible]

GUERNSEY (**)

[illegible]

FT UNIT TRUST INFORMATION SERVICE

ISLE OF MAN

LUXEMBOURG

OTHER OFFSHORE FUNDS

OFFSHORE INSURANCES

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1989 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
99½	97	Treas 3pc 1989	99½xd	.....	–	–
99	99	Treas 10½pc 1989	99	–	10.53	12.33
99	98	Exch 10pc 1989	99	–	10.06	12.34
99	99	Exch 11pc 1989	99	–	11.07	12.29
97	95	Treas 5pc 1986–89	97	+	5.12	10.40
99½	99	Exch 10¼pcCv '89	99¼xd	.....	10.30	11.07
101	100¼	Treas 13pc 1990	100	–	12.92	11.98
99	98	Exch 11pc 1990	99	–	11.08	11.94
101	99	Exch. 12½pc 1990	100	–	12.46	12.04
95	91	Treas. 3pc 1990	93xd	+	3.21	9.93
96	95	Treas 8¼pc 1987–90	96¼	–	8.57	11.92
98	95	Treas. 8pc Cv 1990	96	–	8.30	11.28
98	97	Treas. 10pcCv 1990	97	–	10.24	11.78
90	87	Exch 2½pc 1990	89xd	+	2.78	9.66
101	99	Treas 11¾pc 1991	100¼	–	11.73	11.60
91	89	Funding 5¾pc '87–91	91½	–	6.28	11.63
88½	86	Treas. 3pc 1991	88xd	+	3.40	9.56
100	96	Treas 10pc Cv '91	97	–	10.25	11.27
101	98	Exch. 11pc 1991	99	–	11.10	11.44
94	91	Treas. 8pc 1991	92	–	8.65	11.40
106	102	Treas 12¾pc 1992	103	–	12.29	11.09
99½	96½	Treas 10pc 1992	97	–	10.28	11.13
94	91½	Treas. 8pc 1992	92	–	8.67	11.11
100¼	97	Treas 10½pc Cv 1992	98xd	–	10.65	11.05
85	82¼	Treas. 3pc 1992	83	.....	3.59	9.14
105	102	Exch. 12¼pc '92	103	–	11.88	11.10
109¾	105	Exch 13½pc 1992	106	–	12.65	11.02
94	90	Treas 8¼pc 1993	92	–	8.97	10.87
100	96	Treas 10pc 1993	97	–	10.24	10.73
108¼	104	Treas 12½pc 1993	105	–	11.85	10.82
87¼	84¼	Funding 6pc 1993	85	+	7.02	10.18
113¼	109	Treas 13¾pc 1993	110xd	–	12.45	10.77
94	90	Treas. 8½pc 1994	91	–	9.27	10.77
117	113	Treas 14½pc 1994	114	–	12.67	10.57
113	109	Exch 13½pc 1994	110	–	12.24	10.77

Five to Fifteen Years

Over Fifteen Years

BRITISH FUNDS—Contd

Undated

1989 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
45	42¼	Consols 4pc	43¼	–	9.14	–
40	38	War Loan 3½pc	38xd	–	9.02	–
70	60¾	Conv. 3½pc '61 Aft	66	–	9.79	–
41	31	Treas. 3pc '66 Aft	36½	–	8.22	–
30¼	26¼	Consols 2½pc	27	–	8.99	–
29½	26	Treas. 2½pc	27½	–	9.09	–

Index-Linked

1989 High	Low	Stock (b)	Price £	+ or −	(1)	(2)
128	124	Treas 2pc IL '90(84.6)	128	.....	–	2.74
106	103	Do. 2pc '92(97.8)	106	.....	2.69	3.62
99	94	Do. 2 '94 (102.9)	98xd	.....	3.00	3.54
145	139	Do. 2pc '96(67.9)	144	+	3.22	3.59
124	118	Do 2½pc '01(78.3)	123	.....	3.43	3.68
122	115	Do. 2½pc '03(78.8)	120xd	.....	3.46	3.68
125	117	Do. 2pc '06(69.5)	123	.....	3.49	3.67
117	110	Do. 2½pc '09(78.8)	115xd	.....	3.49	3.66
123	114	Do. 2½pc '11(74.6)	120	.....	3.50	3.65
102	95¼	Do. 2½pc '13(89.2)	108	.....	3.48	3.62
110	101	Do. 2½pc '16(81.6)	108	–	3.44	3.59
108	100	Do. 2½pc '20(83.0)	106	.....	3.40	3.53
91	84	Do. 2½pc '24(97.7)	89½	.....	3.38	3.49

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base month for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for August 1988: 107.9 and for March 1989: 112.3.

INT. BANK AND O'SEAS

1989 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
108	102	African Dv Bk 11¼Ln 2010	103	–	10.70	10.64
104	99	Asian Dev Bk 10¼pcLn2009	100xd	–	10.18	10.16
130	123	Australia 13½pc 2010	124xd	–	10.84	10.58
113	106	Do. 11¾pcLn2015	108xd	–	10.52	10.46
108	102	Euro Inv Bk 11pc Ln 2002	103	–	10.60	10.46

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

FOREIGN BONDS & RAILS

AMERICANS

1989 High	Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
33	26	Abbott Laboratories	32xd	–	$1.20	–	2.1
537p	361p	Allegheny & W 1c	513p	–5	30c	–	3.4
15	12	Amax $1	14	–	40c	–	1.6
11	956p	Amdahl 5c	11xd	.....	h10c	–	0.5
32	25½	Amer Cyanamid $5	32	.....	$1.20	–	2.2
19¼	14	Amer Express 60c	19xd	+	84c	–	2.5
12	854p	Amer Medical Int. $1	12	.....	72c	–	3.3
20	15¼	American T. & T. $1	20	–	$1.20	–	3.4
39	26	Ameritech $1	33	+	h$2.92	–	5.1
15¼	9	BankAmerica $1	15¼	.....	60c	–	2.3
27¼	19	Bankers N.Y. $1	27½xd	+1¼	$2.08	–	4.5
49¼	38½	Bell Atlantic $1	49¼	+	$4.08	–	4.8
27¼	19	BellSouth Corp	27	+	$2.52	–	5.4
15	12	Bethlehem Steel $8	13xd	+	–	–	–
11	929p	Bio-Rad Labs. A	11	.....	–	–	–
17	15¼	Bowater Inc	16	+	$1.12	–	3.9
12	9¼	Brunswick 75c	11xd	.....	44c	–	2.2
33	28	CPC Intnl. 25c	33	+	$1.60	–	2.8
19	17	CSX $1	19	+	$1.24	–	3.7
798p	333p	California Engy	636p	+3	–	–	–
25½	17¼	Campbell Soup 15c	24	.....	92c	–	2.2
22	15	Chase Manhattan $12½	21xd	–	$2.36	–	6.4
21½	17	Chem. Banking Corpn	21	.....	$2.72	–	7.4
16	13	Chrysler $6¼	14xd	+	$1.20	–	4.9
17	14	Citicorp $1	17xd	.....	$1.48	–	4.8
230p	162p	CityFed Fin. Corp	178p	.....	4c	–	1.3
29	25¼	Colgate-Palmolive $1	29xd	–	$1.48	–	3.0
21½	16	Cons Freightways 62½c	18	–	98c	–	3.1
14	10	Cont'l Bank Corp $4	13	–	86c	–	3.4
387½p	300p	Corporate Data Scnce	334p	.....	–	–	–
386p	278p	Cullinet Sftwr 1c	379p	+54	–	–	–
24¼	21	Dana Corp. $1	23	–	$1.60	–	3.9
10	854p	Data General	10½	+	–	–	–
32¼	28	Dun & Bradstreet $1	31	.....	$1.74	–	3.2
34	30	Eaton Corpn 50c	34xd	+	h$2.00	–	3.4
10¼	8	Echlin Inc	10xd	.....	70c	–	4.0
18¼	16	FPL Group 1c	18¼xd	+	$2.20	–	7.0

Continued on next page

Money Market Trust Funds

	Gross	Net	Gr Equiv CAR	Int Cr
Charities Aid Fndtn Money Mngmt Co Ltd				
Staple Hall, Stone Ct, Houndsditch, EC3			01-283 6461	
CAFCASH Call Fund	11.53	8.95	12.19	3-mth
CAFCASH 7-day Fund	11.38	8.74	12.04	3-mth
The Charities Deposit Fund				
2 Fore Street, London EC2Y 5AQ			01-588 1815	
Deposit	12.10	–	12.66	3-Mth
Gartmore Money Management Ltd				
2-3 White Hart Yard, London SE1R 1NX			01-236 1425	
Call Fnd	11.48	8.81	12.00	6-Mth
7-day Fund	11.63	8.93	12.17	6-Mth
Special Fund	11.64	–	12.25	Mth
Dollar	8.62	6.62	9.05	3-Mth

Money Market Bank Accounts

	Gross	Net	Gr Equiv CAR	Int Cr
AAB—Allied Arab Bank Ltd				
97-101 Cannon St, London, EC4N 5AD			01-629 6802	
OMMA (£2,001 +)	13.10	10.25	14.33	Mth
HICA (£2,001 +)	12.50	9.73	13.64	Mth

UNIT TRUST NOTES

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CANADIANS

1989 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
157p	129p	♥A&M Gold Corp ‖	138p	–7	–	–	–
23⅝p	4½p	♥Abbot Energy Corp.	23⅝p	+½	–	–	–
13¼	902p	♥Amer. Barrick Res.	12	–½	–	–	–
3¼p	2½p	♥Amer. Lightwave ‖	2½p	.....	–	–	–
19⅞p	12¼p	♥Armero	12½p	–5	–	–	–
314p	94p	♥Asiamerica Hldgs ‖	314p	+9	–	–	–
33¼p	21p	♥Augmitto Expl'n	21⅝p	+½	–	–	–
15⅛	12⅞	Bk. Montreal ‖	15⅛	+¼	$2.12	–	6.6
803p	655p	Bk. Nova Scot. ‖	803p	+21	84c	–	5.0
18⅜	17	BCE ‖	18¼	+⅛	$2.44	–	6.3
772p	570p	♥Bow Valley ‖	772p	+13	40c	–	2.5
14¼	12⅛	♥Brascan ‖	14	+¼	88c	–	3.0
228p	166p	♥Breakwater Res.	166p	–8	10c	–	2.9
14⅝	11⅛	Can. Imp. Bank ‖	14⅝	+⅛	$1.16	–	3.8
12¼	997p	Can. Pacific ‖	11½	+⅛	76c	–	3.2
41½	38½	Do. 4pc Deb £100	41½	.....	4%	–	9.6
511p	374p	Central Capital "A" ‖	477p	+17	–	–	–
448p	340p	♥Corona Corp.	379p	–16	–	–	–
373p	228p	♥Cons TVX Min	351p	–10	–	–	–
48½p	18¾p	♥Danbus Mem. Syst. ‖	20p	–1	–	–	–
690p	524p	♥Derlan Inds. ‖	690p	+37	11.75c	–	0.8
953p	751p	♥Echo Bay Mines	816p	–30	$0.07	–	0.4
572p	370p	♥ECO Corp ‖	408p	–2	–	–	–
234p	192p	♥Galactic Resources	228p	+2	–	–	–
330p	243p	Gandalf Techs. Inc.	293p	+1	–	–	–
54½p	27½p	♥Geodome Res.	36½p	–1½	–	–	–
183p	137p	Granges Expln ‖	140p	+3	–	–	–
27½p	6p	♥Gt. Pacific Res.	12½p	–2½	–	–	–
784p	651p	♥Gulf Canada ‖	778p	+4	52c	–	3.2
12½	10¼	♥Hawker Sid Can ‖	12½	+¼	$1.08	–	4.2
646p	348p	♥Heolys Group	646p	+37	–	–	–
13¼	11⅛	♥Hudson's Bay ‖	13	+⅛	60c	–	2.2
28⅜	25	♥Imperial Oil ‖	27½	+⅛	$1.80	–	3.2
16⅞	14⅛	Inco ‖	18½	+¼	$0.80	–	2.5
696p	599p	♥Inland Nat. Gas $1	696p	+12	60c	–	4.1
290p	102p	♥Madeleine Mines	211p	–8	–	–	–
193p	163p	♥Muscocho Expln.	176p	–1	–	–	–
126p	85½p	♥Nevada Goldfields	123p	–1	–	–	–
12⅝	10⅞	♥Rio Algom	12¼	+½	85c	–	3.3
21	17¼	Royal Bk. Can ‖	21	+¼	$2.20	–	5.0
43½	33⅛	Seagram ‖	43½	+⅛	US$1.40	–	1.9
112p	74½p	♥Sonora Gold Corp ‖	90½p	+1	–	–	–
85p	33p	♥Spiral Eng ‖	57¼p	–6½	–	–	–
109p	73p	♥Tam Pure Tech. Corp ‖	85¼p	–5	–	–	–
20¼	16⅛	Toronto-Dom. Bk ‖	20¼	+1	$1.12	–	2.7
820p	686p	♥Trans Can Pipe.	816p	+3	68c	–	4.0
183p	154p	Varity Corp ‖	166p	+2	8	–	–

BANKS, HP & LEASING

1989 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
*278	219	ANZ $A1	224	–1	Q34½c	2.0	7.7	6.5
*324	241	Allied Irish	321	–2	†Q72.9%	3.1	4.8	11.0
£12⅝	£11¼	Algemene Fl.10	£11¼	–⅜	Q27%	1.9	6.5	–
*80	61	Anglo Irish	69	.....	Q12½%	4.0	5.8	11.7
79	75	Ansbacher (H.) 1p	77	.....	2.0	–	3.5	–
£51⅛	£38¼	B'caire Cie Fr100	£48⅛	+⅛	Q12½%	–	2.0	–
£40⅞	£35⅛	Banco Bilbao Viz.	£40¼	+2	Q35.7%	2.0	3.2	15.5
£33	£28	Banco de Santander	£31⅛	+¼	Q21%	2.4	2.4	17.2
*315	230	Bank Ireland Ir£1	304	–4	Q15.67%	3.3	4.3	10.9
£17½	£17½	Bank Leumi	£17½	.....	–	–	–	–
350	350	Bank Leumi (U.K.)	350	.....	13.5	–	5.1	–
105	88	Bank Scotland	93	–1	3.8	a3.6	5.6	6.6
111¼	104½	Do. 9¼pc Irrd Pf.	109½	.....	9¼%	–	11.3	–
*67	52	Bank of Wales	65	.....	2.8	♦	5.9	♦
*485	404	Barclays £1	449	–3	23.0	3.5	6.8	5.1
31	28	Benchmark 20p	28	.....	1.63	1.0	7.7	16.1
350	334	Brown Shipley £1	347	.....	10.5	–	4.0	–
63	57	Business Mort Tst.	63	.....	–	–	–	–
420	325	Cater Allen £1	415	.....	22.5	–	7.2	–
259	201	Chancery	249	+2	†6.0	2.9	3.2	14.3
£16⅛	£14½	Commerzbk DM10	£15⅞	–⅛	Q18%	–	3.7	–
*£27⅛	£22⅝	C'hgn. Hbk. Kr100	£25¼	+2	Q15%	–	4.9	–
£16⅞	£12⅛	Dai Ichi KBk Y50	£14⅛	–⅛	Q15%	2.4	0.2	–
*£179⅛	£156¼	Deutsche Bk DM50	£173⅛	–⅝	Q24%	–	2.2	–
260	225	First Nat. Fin. 10p	241	+1	11.5	2.8	6.4	6.8
134	110	FNFC 6.3pc CvRedPref	125	.....	6.3%	–	6.7	–
£16⅛	£15	Fuji Bank Y50	£15⅛	.....	Q14.3%	♦	0.2	♦
295	262	Gerrard & National	275	.....	18.0	–	8.7	–
139	113	Goode Durrant 5p	126	.....	†a3.3	–	3.5	–
131	118	Guinness Mahon 10p	125	.....	1.2	–	1.3	–
255	225	Hambros 20p	229	.....	†9.0	–	5.2	–
51	40	HK & Shang. HK$2.50	48	+1	Q36.4c	♦	5.7	♦
485	470	Joseph (Leo) £1	480	.....	†14.38	–	4.0	–
140	131	King & Shaxson 20p	133	.....	9.25	–	9.3	–
344	277	Kleinwort Benson Grp.	294	–1	14.0	–	6.3	–
388	321	Lloyds £1	358	–1	16.8	4.5	6.3	4.7
48	40	Lon. Scot. Bank 10p	47	.....	2.05	1.9	5.8	10.8
343	291	Midland £1	330	–2	h16.4	3.3	6.6	6.1
£15¼	£12⅛	Mitsubishi Bank Y50	£13⅝	.....	Q15%	♦	0.2	♦
318	267	Morgan Grenfell £1	288	.....	10.85	–	5.0	–
*335	274	Nat. Aust. Bk. A$1	284	–2	Q32c	1.5	5.4	12.3
629	510	Nat. West. £1	597	–5	28.25	4.4	6.3	4.7
£210	£170	Ottoman Bank	£180	+5	Q90%	–	5.0	–
83	62	Rea Bros. Group	71	.....	0.5	–	0.9	–
*205	155	Rothschild (J) Hldgs.	198	–1	8.0	2.7	5.4	8.8
416	348	Royal Bk. Scotland	384	+1	15.0	4.4	5.2	5.8
£13⅛	£10⅞	Sanwa Bank Y50	£11⅜	+⅛	Q15%	7.1	0.3	48.3
175	124	Scandinavian Bk Units	155	.....	8.5	–	7.3	–
975	870	Schroders £1	950	+5	19.5	–	2.7	–
775	655	Do. £1 N/V	758	.....	19.5	–	3.5	–
£25⅛	£19⅛	Sec. Pacific $10	£25½	+⅛	Q$1.96	–	4.5	–
*567	500	Standard Chartd. £1	535	.....	33.9	2.9	8.4	4.6
£19⅛	£15⅛	Sumitomo Bank Y50	£15⅛	+⅛	Q15%	7.5	0.2	62.0
133½	106	TSB	107	–½	5.24	3.5	6.5	5.8
234	164	TSB Ch'nel Is'l	229	.....	Q6.1	3.5	2.7	11.6
523	470	Union Discount £1	495	.....	30.0	–	8.1	–
352	277	Warburg (S.G.)	326	+1	†11.5	–	4.7	–
123	98	Do. 6pc A Cnv Prf.	112	–1	6%	–	7.1	–
*284	232	Westpac $A1	245	+1	Q33c	1.7	6.5	9.1
465	443	Wintrust 20p	465	.....	†6.95	3.9	2.0	17.2

Hire Purchase, Leasing, etc.

1989 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
485	224	Anglo Leasing 10p	428	.....	†5.0	6.6	1.6	18.4
428	355	CLF Yeoman 50p	423	.....	RQ24.6%	4.6	2.4	13.8
97	51	Capital Leasing Ir.10p	97	+5	RQ13.2%	3.3	1.1	27.7
77	55	Cattle's (Hdgs) 10p	76	–1	3.25	2.2	5.7	10.7
38	31	Equity & Gen 5p	33	.....	†1.75	1.7	7.1	10.0
365	312	Prov. Financial	332	+1	18.0	♦	7.2	♦
168	100	Reflex Invs. Ir5p	168	.....	LQ28.8%	3.3	0.8	36.9
206	146	Secure Trust Grp. 1p	205	.....	W7.09	♦	4.6	♦
171	127	Woodchester IR20p	164	.....	Q11½%	♦	1.2	♦

BEERS, WINES & SPIRITS

1989 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
507	220	Allied-Lyons	454	–5	†13.0	2.7	3.8	11.6
£22⅞	£17⅛	Anheuser-Busch $1	£22¼	–⅛	72c	–	1.7	–
979	793	Bass	943	–10	23.5	3.2	3.3	12.7
203	160	Boddington	166	+1	4.3	♦	3.5	♦
190	135	Bulmer (H.P.) 5p	168	.....	†6.5	2.5	5.2	10.5
230	192	Burtonwood Brewery	230	.....	†3.16	2.6	1.8	28.3
450	402	Clark (Matthew)	450	+2	†11.0	3.6	3.3	11.3
*344	279	Devenish (J.A.) 5p	388	+1	g3.55	3.9	1.6	22.0

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS – Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

ELECTRICALS

ENGINEERING

ENGINEERING – Contd

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.) – Contd

INSURANCES

LEISURE

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LEISURE—Contd

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TEXTILES—Contd

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

TRUSTS, FINANCE, LAND—Contd

[illegible]

Finance, Land, etc

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

Tins

[illegible]

MINES—Contd

[illegible]

Miscellaneous

[illegible]

THIRD MARKET

1989 High	Low	Stock		Price	+ or -	Div Net	C'vr	Y'ld Gr's	P/E
[illegible]									
11	7	Sonic Tape 2½p	y	9	......	–	–	–	11.8
19	9	Staks Hldgs. 5p	y	9	......	⊕	–	–	13.0
*2¼	1¾	Swanyard Studios 1p	y	2¼	......	–	–	–	♦
525	285	Takare	y	493xd	+15	1.0	♦	0.3	♦
46	28	Tomorrows Leisure 20p	y	46	......	–	–	–	22.9
19	14	Tullow Oil 10p	y	15½	–1	–	–	–	–
113	100	UPL Group 10p	y	110	......	L2.41	4.3	2.9	15.0
147	135	Unit Group	y	135	......	F7.5	2.9	7.4	7.7
13½	5	Vista Ents 5p	y	12	–1	–	–	–	–
40	37	Vizcaya Hldgs 5p	y	39	......	–	–	–	–
35½	23	Whitegate Leisure 20p	y	34	–1	–	–	–	–
19	10	Do. Wrrnts	y	18	......	–	–	–	–
9¼	5	Wilton Group 1p	y	8¼	–¼	–	–	–	–

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Not officially listed.
- ‖ Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♣ Not comparable
- ♠ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p	y	95	......
Craig & Rose £1	y	720	......
Finlay Pkg. 5p	y	91	......
Holt (Jos) 25p	y	1295	–5

IRISH

Cap. 8½% Ln. 1991	£98¼	–⅛
9pc Cap Ln 1996	£99	......
Fin. 13% 97/02	£120	......
Arnotts	455	......
Carrol (P.J.) y	152	......
Hall (R. & H.)	156	+1
Helton Hldgs. y	72xr	......
Irish Ropes	195	+5

TRADITIONAL OPTIONS
3-month call rates

Industrials	p
Allied-Lyons	40
Amstrad	18
BAT	40
BOC Grp	34
BSR	7½
BTR	26
Barclays	34
Beecham	40
Blue Circle	39
Boots	20
Bowaters	38
Brit Aerospace	42
Brit. Telecom	21
Burton Ord	18
Cadburys	31
Charter Cons	45
Comm Union	28
Courtaulds	26
FKI Babcock	13
FNFC	21
Gen Accident	71
GEC	15
Glaxo	90
Grand Met	38
GUS 'A'	90
Guardian	16
GKN	28
Hanson	12
Hawker Sidd	48
ICI	85
Jaguar	22
Ladbroke	38
Legal & Gen	26
Lex Service	34
Lloyds Bank	29
Lucas Inds	48
Marks & Spencer	15
Midland Bk	35
Morgan Grenfell	28
NEI	12
Nat West Bk	45
P & O Dfd	48
Plessey	15
Polly Peck	28
Racal Elect	25
RHM	32
Rank Org Ord	63
Reed Intal	38
STC	24
Sears	13
TI	32
TSB	9
Tesco	12
Thorn EMI	55
Trust Houses	24
T&N	16
Unilever	42
Vickers	15
Wellcome	42

Property	
Brit Land	30
Land Securities	52
MEPC	50

Oils	
Brit Petroleum	21
Do. Int. Certs	12
Burmah Oil	48
Calor	35
Charterhall	2½
Premier	9
Shell	85
Ultramar	21

Mines	
Cons Gold	100
Lonrho	38
RTZ	40

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £985 per annum for each security.

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Renewed dollar intervention

CENTRAL BANKS intervened for the third trading day in succession on currency markets yesterday in an attempt to control the dollar's rise. The US Federal Reserve was joined by several European banks - including the West German Bundesbank - selling dollars as the US unit approached the DM1.89 level.

Yesterday's firmer tone reflected continued investor demand, following a report from the US National Association of Purchasing Managers. This showed a sharp rise in the index on business activity, suggesting that the US economy is still growing strongly.

Many investors now feel that higher US rates may be utilised to slow down the growth rate, and this provided further upward impetus for the dollar. Three-month Euro-dollar rates edged up to 10-9⅞ per cent from 9$\frac{15}{16}$-9$\frac{13}{16}$ per cent.

The dollar opened in London at DM1.8845 and moved up to a high of DM1.8895 before slipping away on renewed intervention to close at DM1.8855, still up from the close of DM1.8800 on Friday. Against the yen, the dollar rose to Y133.80, its highest level since September last year, and up from Y132.85 previously. Elsewhere, it rose to SFr1.6770 from SFr1.6730 and FFr6.3725 compared with FFr6.3550. On Bank of England figures, the dollar's exchange rate index rose from 68.5 to 68.8.

News of a surprise 5.5 per cent fall in single home family sales in March failed to have much impact, even though the figure was in sharp contrast to expectations which centred on a 2.1 per cent rise. Additional data on March US factory orders showed a 0.7 per cent rise during the month against expectations of a 0.9 per cent increase. In addition, stripping out the aircraft element, the figure showed a fall of 0.9 per cent.

Nevertheless, the dollar continued to attract demand, partly because confidence in both the yen and the D-Mark is relatively low. The yen has been sold on disappointment that the Japanese authorities did not raise the discount rate. At the same time, the yen and the D-Mark are being undermined by political uncertainty in both countries.

Sterling was confined to a narrow range for most of the day. Its exchange rate index closed at 95.2, unchanged from the opening, and only barely changed from 95.1 on Friday. There are no major economic statistics due for release until much later in the month, and the pound tended to track the performance of the dollar, losing out to the stronger US unit but making marginal gains against its major European trading partners.

Against the dollar it closed at \$1.6855 from \$1.6890, but rose to DM3.1775 from DM3.1750 and FFr10.7400 compared with FFr10.7325. Elsewhere, it finished at SFr2.8275 from SFr2.8250 and Y225.50 against Y224.25.

The French franc was confined to a narrow range against the D-Mark while retaining its firmer undertone. However, trading volume was relatively subdued, since most European centres are closed tomorrow for Ascension Day.

£ IN NEW YORK

May.2	Latest	Previous Close
£ Spot	1.6840-1.6845	1.6795-1.6805
1 month	0.39-0.38pm	0.43-0.41pm
3 months	1.20-1.18pm	1.22-1.19pm
12 months	3.95-3.85pm	4.15-4.00pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	May.2	Previous
8.30 am	95.2	95.2
9.00 am	95.2	95.2
10.00 am	95.1	95.2
11.00 am	95.1	95.2
Noon	95.1	95.2
1.00 pm	95.1	95.1
2.00 pm	95.2	95.1
3.00 pm	95.2	95.0
4.00 pm	95.2	95.1

CURRENCY RATES

May.2	Bank rate %	Special* Drawing Rights	European Currency Unit
Sterling	-	N/A	0.655122
U.S Dollar	7	1.28965	1.10178
Canadian $	12.39	1.53017	1.30451
Austrian Sch.	5	N/A	14.6471
Belgian Franc	7.75	N/A	43.5481
Danish Krone	7½	9.46474	8.09757
Deutsche Mark	4.50	N/A	2.08083
[illegible]	[illegible]	[illegible]	[illegible]

*All SDR rates are for May.1

CURRENCY MOVEMENTS

[illegible]

OTHER CURRENCIES

[illegible]

*Selling rate

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu May.2	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.5481	+2.57	+0.89	±1.5344
Danish Krone	7.85212	8.09757	+3.13	+1.45	±1.5404
German D-Mark	2.05853	2.08083	+1.08	-0.60	±1.0981
French Franc	6.90403	7.03159	+1.85	+0.17	±1.3674
Dutch Guilder	2.31943	2.34779	+1.22	-0.46	±1.5012
Irish Punt	0.768411	0.778867	+1.36	-0.32	±1.6684
Italian Lira	1483.58	1522.12	+2.60	+1.62	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

POUND SPOT- FORWARD AGAINST THE POUND

May.2	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.6795 - 1.6865	1.6850 - 1.6860	0.40-0.37cpm	2.74	1.20-1.16pm	2.80
Canada	1.9885 - 1.9935	1.9925 - 1.9935	0.04dis-0.07cpm	0.09	0.25-0.10pm	0.35
Netherlands	3.58 - 3.59	3.58 - 3.59	1¾-1⅝cpm	5.65	5¼-5pm	5.72
Belgium	66.20 - 66.65	66.55 - 66.65	28-20cpm	4.32	82-70pm	4.56
Denmark	12.35¼ - 12.37¼	12.35¼ - 12.36¼	4⅝-3⅞orepm	4.13	12½-11½pm	3.88
Ireland	1.1875 - 1.1935	1.1890 - 1.1900	0.45-0.40pm	4.29	1.10-1.00pm	3.53
W. Germany	3.17¼ - 3.18	3.17½ - 3.18	1⅝-1½pfpm	6.37	5¼-4⅞pm	6.29
Portugal	261.20 - 263.45	262.45 - 263.45	par-30cdis	-0.68	20-110dis	-0.99
Spain	196.50 - 197.10	196.70 - 197.00	10-30cdis	-1.22	25-50dis	-0.76
Italy	2319¾ - 2326	2324½ - 2325½	5-parlirepm	1.29	10-5pm	1.29
Norway	11.51¼ - 11.54¼	11.53¼ - 11.54¼	2-1½orepm	1.69	5⅞-5pm	1.89
France	10.72¼ - 10.74½	10.73½ - 10.74½	3⅞-3½cpm	4.12	11½-10⅞pm	4.17
Sweden	10.77 - 10.80	10.79 - 10.80	1½-1orepm	1.39	4½-3⅞pm	1.39
Japan	225 - 226	225 - 226	1⅝-1½ypm	8.31	4⅝-4⅜pm	7.98
Austria	22.32 - 22.37	22.34 - 22.37	10¼-9⅞gropm	5.54	34¼-31⅞pm	3.06
Switzerland	2.82¾ - 2.83¾	2.82¾ - 2.83¾	1½-1¼cpm	5.84	4⅜-4¼pm	6.10

Belgian rate is convertible francs. Financial franc 66.80-66.90. Six-month forward dollar 2.30-2.25cpm 12 months 3.97-3.87cpm

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

May.2	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.6795 - 1.6865	1.6850 - 1.6860	0.40-0.37cpm	2.74	1.20-1.16pm	2.80
Ireland†	1.4135 - 1.4175	1.4155 - 1.4165	0.16-0.21cdis	-1.57	0.38-0.48dis	-1.22
Canada	1.1805 - 1.1865	1.1835 - 1.1845	0.26-0.30cdis	-2.84	0.70-0.76dis	-2.47
Netherlands	2.1240 - 2.1320	2.1270 - 2.1280	0.53-0.51cpm	2.93	1.55-1.51pm	2.88
Belgium	39.35 - 39.55	39.45 - 39.55	7.00-5.50cpm	1.90	20.00-17.00pm	1.88
Denmark	7.32½ - 7.35½	7.33¼ - 7.33¾	0.90-0.65orepm	1.27	2.05-1.65pm	1.01
W. Germany	1.8820 - 1.8895	1.8850 - 1.8860	0.57-0.54pfpm	3.53	1.62-1.59pm	3.40
Portugal	156.10 - 156.25	156.10 - 156.20	37-52cdis	-3.43	125-175dis	-3.85
Spain	116.75 - 117.00	116.90 - 117.00	38-48cdis	-4.42	108-118dis	-3.87
Italy	1377 - 1381¾	1378¾ - 1379¾	1.70-2.20liredis	-1.70	5.50-6.00dis	-1.67
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 39.60-39.70.

EURO-CURRENCY INTEREST RATES

[illegible]

Long term Eurodollars: two years 10¼-10⅛ per cent; three years 10¼-10⅛ per cent; four years 10¼-10⅛ per cent; five years 10¼-9⅞ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

[illegible]

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

MONEY MARKETS

German call rate up

CREDIT CONDITIONS tightened in Frankfurt yesterday, as the money market returned to a more normal level at the start of the new month. On Friday call money fell to around 5 per cent, with banks pushing surplus funds out into the market after meeting their required monthly reserve holdings at the Bundesbank.

Call money climbed to 6.30 per cent yesterday, but remained below the Lombard emergency funding rate of 6.50 per cent. Dealers do not expect any change in key West German interest rates at today's Bundesbank council meeting, held a day earlier than usual because of the Ascension Day holiday tomorrow. There will not be a press conference after the council meeting.

At this week's securities repurchase agreement tender the Bundesbank allotted a total of DM36bn, replacing DM37.1bn as two earlier facilities expired. This weeks tender was split between DM19.5bn for 30 day's, allotted at rates of 6.10 to 6.35 per cent, and DM16.5bn for 64 days, at rates of 6.15 to 6.50 per cent.

In Zurich the major Swiss banks raised their customer timedeposit rates by ¼ per cent to 6¼ per cent for all maturities.

In New York the Federal Reserve Bank added temporary reserves to the banking system, via two-day system repurchase agreements, when Federal funds were trading at 9⅞ per cent.

In London interest rates were steady with three-month interbank closing unchanged at 13-12$\frac{15}{16}$ per cent.

The Bank of England initially forecast a money market surplus of £350m, but revised this to £300m at noon.

The authorities absorbed surplus funds totalling £275m. Before lunch the Bank of England sold £200m Treasury bills, due June 2, at rates of 12$\frac{5}{16}$-12¼ per cent. In the afternoon another £75m Treasury bills were sold, due May 5 at 11⅞-12 per cent.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £519m, with bank balances below target absorbing £60m. These factors were outweighed by Exchequer transactions adding £555m to liquidity and a fall in the note circulation of £375m. In Brussels the Belgian National Bank left interest rates unchanged on its weekly tender of 14-day securities repurchase agreements at 7¼ per cent and on Government paper at 7$\frac{11}{16}$ per cent.

UK clearing bank base lending rate 13 per cent from November 25

FT LONDON INTERBANK FIXING

(11.00 a.m. May.2) 3 months US dollars		6 months US Dollars	
bid 9$\frac{15}{16}$	offer 10$\frac{1}{16}$	bid 10	offer 10⅛

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for \$10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime)

Prime rate	9.18
Broker loan rate	10¾-½
Fed. funds	9⅞
Fed. funds at intervention	-

Treasury Bills and Bonds

One month	8.53	Three year	9.26
Two month	8.54	Four year	9.18
Three month	8.92	Five year	9.14
Six month	9.11	Seven year	9.14
One year	9.24	10-year	9.10
Two year	9.30	30-year	8.98

May.2	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	6.25-6.35	6.25-6.40	6.30-6.45	6.45-6.60	6.60-6.80	6.00
Paris	8½-8⅝	8½-8⅝	8⅝-8¾	8$\frac{11}{16}$-8$\frac{13}{16}$	8¾-8⅞	7.25
Zurich	5⅞-6¼	6⅝-6⅞	-	6⅝-6⅞	-	-
Amsterdam	7.00-7.13	7.00-7.10	-	7.10-7.20	-	-
Tokyo	4¼-4$\frac{5}{16}$	4⅝-4$\frac{11}{16}$	-	4$\frac{13}{16}$-4⅞	-	-
Milan	12¼-12½	11⅞-12⅛	-	12⅛-12⅜	-	-
Brussels	5.10	8$\frac{5}{16}$-8⅜	-	8¼-8$\frac{5}{16}$	-	-
Dublin	8⅛-8⅝	8¼-9	9-9¼	9¼-9⅝	9⅜-9⅝	-

LONDON MONEY RATES

[illegible]

FINANCIAL FUTURES

Prices fall in quiet trading

FEARS THAT world inflationary trends are not easing, and a little nervousness about the political situation in the UK, combined to push down prices of sterling interest rate contracts on Liffe yesterday.

Monday's announcement of a larger than expected rise in the US NAPM index renewed concern about inflationary pressure in the US, while traders also noted a sharp rise of 1 per cent in March West German import prices, compared with 0.3 per cent in February. The latter factor led to a weak performance by German Government bond futures in London.

Apart from the potential threat of rising international inflation traders on Liffe saw no encouragement from the political situation in the UK. Recent opinion polls have shown a lack of enthusiasm for many of the Government's policies, and have also pointed to a probable Conservative Party loss at tomorrow's Vale of Glamorgan by-election.

Short sterling futures traded quietly on Liffe, with turnover in the June contract of around 11,000 lots. June delivery opened at 86.96, and closed at 86.94, compared with 87.03 on Friday.

LIFFE LONG GILT FUTURES OPTIONS

[illegible]

LIFFE US TREASURY BOND FUTURES OPTIONS

[illegible]

LIFFE BUND FUTURES OPTIONS

[illegible]

LIFFE £/$ OPTIONS

[illegible]

LIFFE EURODOLLAR OPTIONS

[illegible]

LIFFE SHORT STERLING

[illegible]

PHILADELPHIA SE £/$ OPTIONS

[illegible]

LONDON (LIFFE)

20-YEAR 9% NOTIONAL GILT; 7-10 YEAR 9% NOTIONAL GILT; US TREASURY BONDS 8%; 6% NOTIONAL GERMAN GOVT. BOND; 6% NOTIONAL LONG TERM JAPANESE GOVT. BOND; THREE MONTH STERLING; THREE MONTH EURODOLLAR; THREE MONTH EUROMARK; FT-SE 100 INDEX

[illegible]

Estimated Volume 2343 (2835)
Previous day's open int. 18337 (18393)

POUND-$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.6855	1.6817	1.6737	1.6628	1.6463

IMM-STERLING $s per £

	Latest	High	Low	Prev.
Jun	1.6786	1.6802	1.6758	1.6730
Sep	1.6670	1.6680	1.6624	1.6614
Dec	1.6590	1.6590	-	1.6534

CHICAGO

U.S. TREASURY BONDS (CBT) 8%; JAPANESE YEN (IMM); DEUTSCHE MARK (IMM); U.S. TREASURY BILLS (IMM); THREE-MONTH EURODOLLAR (IMM); SWISS FRANC (IMM); STANDARD & POORS 500 INDEX

[illegible]

EUROPEAN OPTIONS EXCHANGE

[illegible]

TOTAL VOLUME IN CONTRACTS : 59,880

A=Ask B=Bid C=Call P=Put

BASE LENDING RATES

[illegible]

JOTTER PAD

CROSSWORD

No.6,924 Set by DANTE

ACROSS

1 Sore times for ships (8)
5 Key to public property (6)
9 Command a slave to serve one first (8)
10 Girl entertains relatives. Capital! (6)
12 E. European comes back for a dance (5)
13 and 25 No sudden departure (9,5)
14 They don't mind their own business (6)
16 Develop a way through the mountain (7)
19 They explain why it moves around (7)
21 Dark thoughts? (6)
23 Work of fiction joins together strange things (9)
25 See 13 across
26 You need inspiration to draw one (6)
27 One's life is disrupted by crimes (8)
28 Time that egg! (6)
29 Posts include gratuity and wages (8)

DOWN

1 She was exposed as an opponent of oppressive taxes (6)
2 I'll get him prepared for publicity's glare (9)
3 Irene upsets him (5)
4 Foolish fellows soon led astray (7)
6 He stows away on board (9)
7 Such an excuse is out of place (5)
8 Fighting and winning (8)
11 Turned up to humiliate you? (4)
15 An account that won't be overdrawn (9)
17 Possibly not in Adam, though risked by Eve (9)
18 The morning help is easily won over (8)
20 Bound to leave something (4)
21 Drop of French perfume (7)
22 Revising his set subject (6)
24 Wives freely give their opinions (5)
25 Many with inadequate rise languish (5)

Solution to Puzzle No.6,923

[illegible]

WORLD STOCK MARKETS

AUSTRIA

May 2	Sch	+ or −
Creditanstalt	2,840	+30
Goesser	4,250	+50
Interunfall	16,300	—
Jungbunzlauer	15,300	—
Laenderbank	462	+2
Perlmooser	930	−10
Reininghaus	1,515	+215
Semperit	212	+8
Steyr-Daimler	114	+4
Veitscher Mag	865	+5

BELGIUM/LUXEMBOURG

FRANCE (continued)

GERMANY (continued)

ITALY (continued)

NETHERLANDS

NORWAY

SPAIN

SWEDEN

SWITZERLAND

SOUTH AFRICA

DENMARK

FINLAND

FRANCE

GERMANY

ITALY

JAPAN

AUSTRALIA (continued)

HONG KONG

AUSTRALIA

SINGAPORE

CANADA

TORONTO

2pm prices May 2

Quotations in cents unless marked $

f−No voting rights or restricted voting rights.

INDICES

NEW YORK DOW JONES

	May 1	Apr 28	Apr 27	Apr 26	1989 High	1989 Low	Since compilation High	Since compilation Low
♦Industrials	2414.96	2418.80	2418.99	2389.11	2418.99 (27/4)	2144.64 (3/1)	2722.42 (25/8/87)	41.22 (2/7/32)
Home Bonds	88.81	89.02	88.73	88.53	89.62 (8/2)	87.35 (23/3)	—	—
Transport	1136.64	1142.79	1144.08	1127.91	1144.08 (27/4)	959.95 (3/1)	1144.08 (27/4/89)	12.32 (8/7/32)
Utilities	192.80	192.21	191.68	190.61	192.80 (1/5)	181.84 (24/2)	227.83 (22/1/87)	10.50 (8/4/32)

♦Day's High 2420.45 (2430.17) Low 2390.03 (2403.59)

STANDARD AND POOR'S	May 1	Apr 28	Apr 27	Apr 26	1989 High	1989 Low	Since compilation High	Since compilation Low
Composite‡	309.12	309.64	309.58	306.93	309.64 (28/4)	275.31 (3/1)	336.77 (25/8/87)	4.40 (1/6/32)
Industrial	355.77	356.58	356.82	353.98	357.49 (21/4)	318.66 (3/1)	393.17 (25/8/87)	3.62 (21/6/32)
Financial	28.71	28.71	28.71	28.47	28.83 (21/4)	24.30 (3/1)	32.43 (25/8/87)	8.64 (1/10/74)
NYSE Composite	172.82	173.13	173.06	171.75	173.13 (28/4)	154.98 (3/1)	187.99 (25/8/87)	4.46 (25/4/42)
Amex Mkt. Value	345.28	345.08	344.75	343.41	345.08 (28/4)	305.24 (3/1)	365.01 (13/8/87)	29.31 (9/12/72)
NASDAQ OTC Comp	427.56	427.55	426.18	423.38	427.56 (1/5)	378.56 (3/1)	455.28 (26/8/87)	54.87 (31/10/72)

	Apr 28	Apr 21	Apr 14	year ago (approx.)
Dow Industrial Div. Yield	3.45	3.46	3.57	3.47
	Apr 26	Apr 19	Apr 12	year ago (approx.)
S & P Industrial div. yield	3.08	3.05	3.12	2.94
S & P Indl. P/E ratio	13.60	13.62	13.26	15.35

TRADING ACTIVITY

† Volume Millions	May 1	Apr 28	Apr 27
New York	138.533	158.390	191.170
Amex	8.989	10.135	11.443
OTC	(u)	129.239	136.660

NEW YORK	May 1	Apr 28	Apr 27
Issues Traded	1,939	1,934	1,953
Rises	576	735	1,005
Falls	832	705	464
Unchanged	531	494	484
New Highs	74	123	142
New Lows	18	18	15

CANADA

TORONTO	May 1	Apr 28	Apr 27	Apr 26	1989 High	1989 Low
Metals & Minerals	3386.8	3371.2	3362.6	3347.0	3564.9 (6/2)	3207.5 (3/1)
Composite	3613.1	3627.9	3600.6	3578.1	3696.1 (8/2)	3350.5 (6/1)
MONTREAL Portfolio	1840.97	1844.12	1822.03	1807.83	1850.44 (8/2)	1677.48 (3/1)

NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Closing price	Change on day		Stocks traded	Closing price	Change on day
Union Carbide	9,005,400	31⅝	+ ¼	Sealedair	1,656,500	50¾	+ ½
Southern Co	2,967,700	23½		Merrill Lynch	1,641,500	28¾	− ⅛
Avon Prod	2,739,000	32¼	+ 3⅝	Texaco	1,496,300	54¼	+ ¼
Illinois Power	1,866,000	13¾		AT & T	1,256,500	34½	− ⅛
US Shoe	1,660,900	17⅛	+ ½	IBM	1,176,600	113⅝	− ⅝

Base values of all indices are 100 except NYSE All Common − 50; Standard and Poor's − 10; and Toronto Composite and Metals − 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	May 2	May 1	Apr. 28	Apr. 27	1989 High	1989 Low
AUSTRALIA						
All Ordinaries (1/1/80)	1492.6	1491.2	1500.7	1479.9	1551.7 (31/1)	1412.9 (7/4)
All Mining (1/1/80)	674.7	675.9	685.1	676.8	727.0 (26/1)	652.6 (7/4)
AUSTRIA						
Credit Aktien (30/12/84)	315.95	(c)	314.79	312.76	315.95 (2/5)	219.5 (2/1)
BELGIUM						
Brussels SE (1/1/80)	5949.61	(c)	5920.87	5898.31	5949.61 (2/5)	5519.30 (4/1)
DENMARK						
Copenhagen SE (3/1/83)	305.03	304.26	303.33	299.91	305.03 (2/5)	275.49 (27/2)
FINLAND						
Unitas General (1975)	(u)	(c)	806.6	806.2	815.8 (18/4)	723.3 (4/1)
FRANCE						
CAC General (31/12/82)	465.7	(c)	468.4	457.8	470.4 (24/4)	417.9 (4/1)
Ind. Tendance (30/12/88)	109.5	(c)	109.9	108.6	111.3 (24/4)	97.5 (27/2)
GERMANY						
FAZ Aktien (31/12/58)	571.93	(c)	577.99	576.5	585.28 (13/4)	535.78 (27/2)
Commerzbank (1/12/53)	1699.6	(c)	1716.1	1717.8	1741.9 (13/4)	1595.7 (27/2)
DAX (30/12/87)	1362.54	(c)	1370.90	1369.57	1394.62 (17/4)	1271.70 (23/2)
HONG KONG						
Hang Seng Bank (31/7/64)	3156.37	3123.87	3116.03	3077.26	3209.96 (9/2)	2706.69 (3/1)
ITALY						
Banca Com. Ital. (1972)	609.61	(c)	615.00	611.53	620.30 (24/4)	577.49 (28/2)
JAPAN						
Nikkei (16/5/49)	33954.99	33793.17	33713.85	33500.8	33954.99 (2/5)	30183.79 (5/1)
Tokyo SE (Topix) (4/1/68)	2517.49	2503.26	2488.52	2471.5	2517.49 (2/5)	2366.91 (6/1)
NETHERLANDS						
CBS Ttl.Rtn.Gen.(End 1983)	237.2	233.9	239.5	239.4	239.5 (28/4)	208.3 (3/1)
CBS All Shr (End 1983)	188.3	185.7	190.3	190.6	190.6 (27/4)	166.7 (1/3)
NORWAY						
Oslo SE (2/1/83)	639.53	(c)	637.34	636.40	665.61 (19/4)	467.17 (2/1)
SINGAPORE						
Straits Times Ind. (30/12/66)	1265.95	(c)	1259.41	1253.17	1265.95 (2/5)	1030.69 (4/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1460.0&	(c)	1501.0	1527.0	1639.0 (23/3)	1291.0 (15/2)
JSE Industrial (28/9/78)	2556.0&	(c)	2581.0	2571.0	2581.0 (28/4)	1961.0 (3/1)
SPAIN						
Madrid SE (30/12/85)	(c)	(c)	297.29	296.30	297.29 (10/4)	268.61 (1/3)
SWEDEN						
Jacobson & P. (31/12/56)	3895.7	(c)	3896.1	3896.5	3912.2 (6/4)	3333.9 (3/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	681.7	(c)	686.0	680.6	686.0 (28/4)	613.1 (3/1)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	513.1	514.2	513.7	519.0 (17/2)	491.2 (28/3)

& Subject to official recalculation.

Base values of all Indices are 100 except Brussels SE and DAX − 1,000 JSE Gold − 255.7 JSE Industrials − 264.3 and Australia, All Ordinary and Mining − 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Tuesday 2 May 1989

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Sumitomo Metal	98.8m	940	+15	Osaka Gas	21.4m	934	+18
Kawasaki Steel	63.2m	1,080	+20	Kobe Steel	19.6m	932	−2
NKK	29.1m	958	+2	Japan Steel Works	19.1m	1,310	+70
Nippon Steel	27.3m	951	+1	Mitsui Shipbuilding	16.9m	985	+2
Nisshin Steel	26.7m	1,720	+30	Nissan Diesel Motor	15.2m	1,210	+40

3pm prices May 2

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/ E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		- A - A - A -								
29¼	21¼	AAR	.44	1.5	19	u295	28½	28½	28½	− ⅛
10⅛	8⅞	ACM n	1.01	11.		74	9	8⅞	8⅞	
11⅜	10¼	ACMIn	1.28a	12.		457	10⅜	10½	10⅜	+ ⅛
10⅛	8½	ACM M	n1.01	11.		85	9	8⅞	9	
11½	10⅛	ACM Sc	1.26	12.		402	10⅝	10½	10½	
10⅛	8⅞	ACMSp	n1.07	12.		365	8¼	8⅞	8⅞	
6⅞	3½	AM Intl				945	6	5¾	6	+ ⅛
23½	18⅛	AM Int pf	2	8.9		109	22½	22¼	22⅜	+ ⅛
64⅛	39	AMR			7	2692	63¼	62⅜	62½	− ½
26⅜	25	ANR pf	2.67	11.		2	25¼	25¼	25¼	
8½	3⅞	ARX				79	4⅞	4⅞	4⅞	
47	35¼	ASA	3a	7.3		122	41¼	40⅞	41	+ ⅛
20¼	14¼	AVX	.24	1.3	9	397	18⅝	18⅜	18½	− ⅛
55¾	42⅞	AbtLab	1.40	2.6	16	4049	55½	54⅞	55½	+ ½
19	15⅛	Abitibi g	1			102	17⅛	16⅞	17⅛	+ ¼
12½	7½	AcmeC	.40	3.8		128	10½	10¼	10½	
9	5⅞	AcmeE	.32	4.1	18	27	8	7⅞	7⅞	+ ⅛
32⅛	20¼	Acuan			24	189	31	30⅝	30⅞	− ⅛
16⅞	14¼	AdaEx	1.82e	12.		64	15	14⅞	14⅞	
16⅞	7⅛	AMD				898	9	8¾	8⅞	
43½	28⅜	AMD pf	3	9.0		8	33⅜	33⅜	33⅜	+ ¼
8½	6½	Adobe				114	8⅛	8¼	8¼	
18¼	16½	Adob pf	1.84	10.		46	17⅝	17½	17⅝	+ ⅛
21¼	20	Adob pf	2.40	12.		1	20⅜	20⅜	20⅜	− ⅛
9⅛	6⅞	Advest	.12	1.7	17	11	7	6⅞	7	+ ⅛
54⅞	39½	AetnLf	2.76	5.2	8	1293	52⅞	52⅝	52⅞	+ ¼
46	24	AflPb s	.22	.5		1979	u46¼	45½	45⅞	
19¼	13⅛	Ahmans	.88	4.7	8	1076	19⅛	18⅞	18⅞	
4⅝	2⅞	Aileen			19	24	3½	3⅜	3⅜	− ⅛
53⅛	37¼	AirPrd	1.20	2.8	11	530	43⅛	42½	42½	− ⅝
28⅞	15½	AirbFrt	.60	2.5	22	53	24½	24⅛	24⅛	+ ⅛
18⅞	11⅝	Airgas			12	298	18	17⅞	17⅞	
20½	17¼	Airlease	2.40	12.	9	23	19½	19⅜	19⅜	+ ⅛
26½	22½	AlaP	pf2.09e	9.0		2	23¼	23¼	23¼	+ ⅛
9⅝	8½	AlaP	dpf.87	9.3		14	9⅜	9⅜	9⅜	
96¼	88¼	AlaP pf	9	10.		z40	89¼	89¼	89¼	− ¼
97⅛	92½	AlaP pf	9.44	10.		z200	93¼	93¼	93¼	− 1
86	79½	AlaP pf	8.28	10.		z50	82	82	82	
28¼	15⅝	AlskAir	.20	.7	10	890	27¾	27½	27½	− ¼
19¼	14⅛	Albnyln	.30	1.7	11	238	18	17¾	17⅞	
39⅛	29¼	Alberto	.36	.9	19	12	39½	39	39	− ½
32⅞	22⅞	AlbCulA	.38	1.1	78	25	32¾	32½	32¾	+ ½
44⅝	28⅛	Albtsn	.80	1.8	18	388	44⅜	44⅛	44⅜	+ ⅜
38⅛	26¼	Alcan s	1.68	5.1	5	5025	33⅜	32⅞	33⅛	+ ¼
29¾	22⅞	AlcoStd	.76	2.5	13	1985	u30½	29	29⅞	+ 1⅛
28⅛	21½	AlexAlx	1	4.0	15	399	25⅛	24⅞	24⅞	− ¼
77	49¾	Alexdr			30	4	67½	67½	67½	
4½	1⅛	vjAlgInt				208	1¼	1⅛	1⅛	− ⅛
10⅜	2	vjAlgI pr				3	2⅜	2⅛	2⅛	− ⅛
27⅛	7½	vjAlgI pfC				15	8⅜	8⅛	8⅛	− ⅛
41¼	21⅞	AlgLud	1a	2.4	8	271	u41⅝	41	41½	+ ¼
40⅜	35⅝	AllgPw	3.08	8.4	9	300	36¾	36⅜	36½	+ ⅛
16⅞	10⅛	AllenG			17	150	16¼	15⅞	16⅛	
19⅞	13	Allen pf	1.75	9.3		62	19	18¾	18¾	
12⅝	9⅝	AlmCap	n1.40	12.	20	98	12	11⅞	12	+ ⅛
24¼	13¾	AlldPd			16	198	24⅛	23¾	23⅞	+ ¼
36⅞	30⅞	AldSgnl	1.80	5.4	10	1785	33⅝	33⅛	33⅛	− ⅜
10¾	9⅝	AlstMu	.78a	7.4		157	10½	10¼	10½	+ ¼
10	9	AlsMuP	n.15e	1.6		163	9⅜	9¼	9⅜	
10¼	9¼	AlsMII	n.70e	7.2		221	9¾	9⅝	9¾	+ ⅛
10½	9¼	AlsMO	n.37e	3.5		152	10½	10⅜	10½	+ ⅛
44⅞	30⅞	ALLTEL	1.72	4.0	14	718	44	43⅞	43⅞	− ⅛
65¼	42⅞	Alcoa	1.60a	2.5	6	4337	63	62½	62¾	
19	13½	AmaxG	.08	.6	20	139	13⅝	d13⅜	13½	− ⅛
27¼	18	Amax	.40	1.6	3	1075	25⅛	24⅞	25	
15¼	11	Amcast	.48	3.7	10	50	12⅞	12½	12⅞	+ ⅜
15⅝	8⅞	Amdura			22	376	15	14¾	14¾	− ⅜
27	19½	Amdur	pf1.95	8.0		816	25⅜	24¼	24½	− 1⅛
40½	25¾	AmHes	.60	1.6	11	1258	38⅞	38⅛	38⅜	
23⅛	14⅞	ABarck	.10e	.5		458	20⅛	19¾	19¾	− ¼
71⅞	43½	AmBrnd	2.44	3.6	11	852	68½	67⅞	68	+ ¼
30⅜	26⅝	ABrd	pf2.75	10.		24	27¾	27⅝	27⅝	− ⅛
137½	88¾	ABrd	pf2.67	1.9		5	137	137	137	
38¾	23⅝	ABldM	.92	2.7	18	72	34½	34	34½	+ ½
29⅞	23¼	ABusPr	.96	3.3	13	17	29	28⅝	29	+ ¼
22⅛	19¼	ACapBd	2.20a	11.		57	19¾	19½	19½	− ⅛
24	19¼	ACapCv	2.93e	14.		8	21¾	21¼	21¼	− ¼
10⅛	8⅞	ACapIn	1.10a	12.		110	9⅛	8⅞	9	
13¼	8¼	ACMR	.60	6.5	10	18	9¼	9¼	9¼	+ ⅛
13-16	⅛	ACentC				11	9-32	9-32	9-32	− 1-32
55⅛	44	ACyan	1.35	2.5	15	3876	54	53½	53⅞	
29¼	25¾	AEIPw	2.32a	8.7	8	2010	26⅞	26½	26¾	+ ⅛
34	22⅞	AmExp	.84	2.6	13	6166	32¾	32⅜	32⅜	− ⅛
19⅛	11½	AFamly	.28	1.6	13	1616	18¼	17¾	17¾	− ½
38½	27⅞	AGnCp	1.50	4.3	10	361	35	34¾	34⅞	− ⅛
8½	7⅜	AmGvl	.84a	11.		112	7⅞	7¾	7⅞	+ ⅛
10⅛	8⅞	AGIP	n1.06a	11.		226	9⅝	9⅜	9½	+ ⅛
10⅛	9¼	AGTT	n.28e	2.7		11	9¾	9¾	9¾	
20½	17	AHltPr	2.20	11.	13	406	20	19⅝	19⅞	
92	70⅞	AHome	3.90	4.2	14	1653	u92½	91¼	92½	+ 1
57⅛	42¾	Amrtch	s2.92	5.1	12	3062	57⅛	56½	57	+ ⅜
84¼	50	AIntGr	.40	.5	11	3250	81⅛	80½	80⅝	− ¼
22⅛	14¼	AMI	.72	3.3	23	1284	21⅝	21⅜	21½	
38¾	28¼	APresd	.60	1.7	13	2235	35⅞	35½	35⅞	+ ¼
65	53½	APrsd	pf3.50	5.7		735	61½	61½	61½	
16⅞	13⅞	AREst	2	14.	8	98	14⅞	14⅝	14¾	+ ⅛
4⅞	3⅞	AmRlty	.72	16	3	134	4⅜	4¼	4⅜	+ ⅛
18¾	11⅜	ASB	.80	4.7	4	226	17¼	16½	17⅛	+ ⅜
19½	15⅞	ASB pf	1.81	10.		21	18⅛	17⅞	17⅞	+ ½
5⅞	3⅜	AShip				81	3⅜	d 3	3	− ⅜
65	47⅝	AmStor	1	1.6	24	279	62	61¾	61⅞	
70⅞	56	AStr	pfA4.38	6.6		1	66⅜	66¾	66¾	
35⅛	24⅛	AT&T	1.20	3.5	17	12246	35	34½	34⅝	+ ⅛
21½	14⅞	AmWtr	.74	4.1	10	130	18⅜	18⅛	18¼	+ ⅛
15¼	13⅜	AWat	pr1.25	9.1		z100	13¾	13¾	13¾	− ¾
14¼	12⅞	AmHotl			78	3	13⅝	13⅝	13⅝	
40¼	29¾	Ameron	1.28	3.4	13	10	37¼	37¼	37¼	+ ¼
18¾	12⅞	AmesDp	.10	.6	13	319	16⅜	16	16⅛	− ⅜
16½	12¼	Ametek	.60	4.5	21	802	13½	13¼	13⅜	
11⅜	9¾	AmevSc	1.08a	11.		36	10	9¾	9¾	− ¼
45⅛	34	Amoco	s1.90	4.3	11	3531	43⅞	43¼	43¾	+ ⅜
52	40½	AMP	1.20	2.9	14	x1334	42⅛	41¼	41⅞	+ ⅜
15⅝	11⅞	Ampco	.30	2.1		19	14¾	14½	14½	− ¼
16⅛	6¾	Amre s	.08	1.1	15	68	7½	7¼	7⅜	
26⅞	22⅞	AmSth	1.32	6.0	8	57	26½	26⅛	26¼	+ ⅛
11½	4⅝	Anacmp			12	865	6¾	6½	6½	− ¼
29	22	Anadrk	.30	1.0	28	939	28⅞	28½	28¾	+ ¼
16⅛	9⅞	Analog			13	1028	11⅝	11½	11½	− ⅛
18⅞	7⅛	AnchGl	.08	.8		274	10½	10⅜	10½	+ ⅛
27¼	19⅝	Angelic	.76	3.2	13	95	24⅛	23⅞	23⅞	+ ⅛
11⅜	8	AngelRl	1.52	14.		31	10⅛	10⅜	10⅜	
39⅛	29	Anheus	.72	1.9	15	5159	38¾	38⅛	38⅝	+ ⅜
14⅜	7⅞	Anthem			10	89	10⅝	10½	10⅝	+ ¼
18¾	8½	Anthny	s.44	2.5	11	144	17⅝	17½	17⅝	
33⅜	22½	Aon cp	1.40	4.6	11	275	31½	31⅜	31⅜	− ⅛
10⅞	6	Apache	.28	2.7	24	1469	10¾	10⅜	10½	+ ⅛
86	80¼	ApPw	pf8.12	10.		z50	81⅛	81⅛	81⅛	− ⅜
37½	27½	ApplBk			7	62	35⅝	35½	35⅝	− ⅛
17½	11½	ApplMg			10	905	12¾	12½	12⅝	+ ⅛
27	17⅜	ArchDn	.10b	.4	12	2384	26¾	26½	26⅝	− ⅛
38⅛	26¼	ArcoCh	2.50	6.8	7	1118	37⅝	36⅞	36⅞	− ½
27⅝	16¼	Arstac s	1	4.5	6	1673	22⅝	22¼	22¼	+ ⅛
85½	69¾	AnP	pf7.23e	11.		z20	68⅜	d68⅛	68⅛	− ¼

NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close	Chng
69	50¼	Xerox	3	4.5	19	3012	67¼	66¾	66⅞	+ ⅛
48¾	44½	Xerox pf4.13		9.3		3	44½	44½	44½	− ¼
44⅛	29¼	XTRA	.72	1.8	14	36	39½	39¼	39¼	+ ⅛
33	26	XTRA pf1.94		6.4		1	30½	30½	30½	− ¼
3⅜	2	Zapata				246	3	2⅞	3	− ⅛
27⅛	16⅝	Zayre	.40	1.5	178	1978	27	26½	26¾	
15½	10½	Zemex	.40	3.6	29	22	11⅛	11⅛	11⅛	+ ⅛
30	16½	ZenithE			950	1127	19⅛	18⅞	19	+ ⅛
10⅜	8⅞	Zenlnc	1.26	13.		263	9⅜	9¼	9⅜	
2⅛	1	vjZenLb				607	2½	1½	1⅝	
21⅝	15	ZenNtl	.80b	4.1	9	605	19½	19¼	19½	
19⅞	13¼	Zero	.44	2.3	16	64	19⅛	18¾	18¾	− ¼
29½	19	Zurnln	.68	2.3	16	303	29¼	29	29¼	+ ⅛
11⅛	10	Zweig	1.07e	10.		201	10¾	10⅝	10¾	
10⅛	8⅞	ZweigT	n.24e	2.7		657	9⅛	9	9	

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales infull. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3pm prices May 2

OVER-THE-COUNTER

Nasdaq national market, 3pm prices May 2

Stock	Div.	P/E	Sales 100s	High	Low	Last	Chng
WhlClub		18	65	11½	11⅝	11½	
WllyJ A 1.10		97	348	65½	64	65	+1
Willamt 1.45		7	74	45¼	46	45	− ⅛
WilmTr 1.24		11	127	35½	35	35½	
WiserO	.40	62	967	16⅝	15½	16⅝	+ ⅛
Wolohn	.28	10	423	18¾	18	19½	+ ½
WolvEx			67	7¼	7⅛	7⅛	− ⅛
Worthg	.48	14	492	21⅞	21¼	21⅞	
Wyman	.80	60	1235	15¼	15	15¼	
– X – Y – Z –							
XL Dta s		18	237	19⅞	19¼	19¼	− ⅛
XOMA			172	16	15½	16	+ ⅛
Xicor		10	2132	7⅝	7⅛	7⅝	+ ⅛
YelowF	.70	10	x2162	26⅞	26⅛	26⅞	+ ½
Zondn	1.64		46	25⅝	25	25	− ⅝
Zycad			34	3¾	3⅝	3⅝	− ⅛

FINANCIAL TIMES Wednesday May 3 1989

AMERICA

Positive tone helps Dow advance

Wall Street

THE DRIFT towards Friday's April unemployment figures continued yesterday with the blue chip index hovering around the post-crash highs set last week, *writes Janet Bush in New York.*

At 2pm, the Dow Jones Industrial Average stood 3.48 points higher at 2,418.44 on volume of 107m shares.

The tone of the market was fairly positive yesterday although trading was not active. Dealers were encouraged by the market's ability to bounce back from its early losses on Monday after publication of the latest US purchasing managers report. US Treasury bonds, by contrast, finished at Monday's lows.

Yesterday, both markets moved modestly higher. A rebound in the dollar after a bout of weakness in the Far East where the Bank of Japan sold the US currency helped, as did some retrenchment in crude oil prices.

The bond market also seemed to react positively to the annual outlook published by the US purchasing managers which predicted a moderation in growth in the second half of this year and lower inflation. They project a net average price increase of 3.8 per cent for 1989 as a whole compared with 5.5 per cent recorded for 1988. However, they still believe that growth in 1989 will outstrip that in 1988.

A great deal of attention is being accorded to the purchasing managers' surveys these days when markets are desperate for any clues on the state of the economy. However, analysts were expressing doubts yesterday as to their usefulness and pointed to the contradiction of higher growth and lower inflation in 1989, particularly when the economy is running near to full capacity.

A 0.7 per cent rise in US factory orders in March was in line with expectations while a 5.5 per cent decline in single family home sales was somewhat larger than expected and confirmed recent figures showing a substantial weakening in the housing sector due to the impact of higher interest rates.

There is a great deal more economic news for the market to digest this week. The next main focus will be publication of the Fed's Tan Book expected today which will give the latest view of the economy from regional Federal Reserve banks and is used as a guide to monetary policy-making at the Federal Open Market Committee.

Although Fed officials have recently made it clear that policy is on hold for the time being and the Administration has expressed confidence that interest rates are near their peak, there is no certainty that monetary policy may not be tightened again at a later stage.

On Friday, April unemployment figures are published, a release most closely watched by markets.

Among featured stocks yesterday was Johnson Controls which jumped $2⅝ to $41⅝ after US press reports that Mr Sam Zell, the Chicago investor, the Fisher Brothers of New York and Banner Industries all hold stakes in the company and could be planning takeover bids.

Southwest Airlines added $⅞ to $38 after reporting net income in the first quarter of 64 cents a share, up sharply from 1 cent a share a year ago. PepsiCo also benefited from improved earnings, rising $1⅞ to $49⅛.

R.P. Scherer slumped $3⅛ to $30⅛ in over-the-counter trading after Shearson Lehman Hutton and the merchant banking partnerships which the brokerage house manages agreed to acquire the company for cash and securities valued at $31.75 a share in a leveraged buy-out.

Central Banking System plunged $6⅛ to $7⅜ after its proposed merger with Security Pacific was called off. The bank also said that it expected to report a significant loss because of loan portfolio problems.

Sun Microsystems fell $⅜ to $17⅞ despite an earnings report which was in line with expectations. The company said that shortages in certain parts could constrain new product volume.

Canada

QUIET, featureless morning trade left equities in Toronto up slightly at midday, the composite index climbing 0.49 to 3,613.63. Declining stocks led advancing ones 238 to 205. Volume was 12m shares.

Bank stocks were active with Bank of Nova Scotia up C$⅛ to C$16⅛ and Bank of Montreal up C$⅛ to C$30⅛.

SOUTH AFRICA

THE weak bullion price sent gold shares sharply lower but selling pressure was not huge after the long weekend break.

A weaker financial rand helped restrict share price falls, which hit most other mining stocks and related sectors.

Gold issue Vaal Reefs closed R11 lower at R322, but above a day's low of R320, while Kloof fell R1.25 to R34. Among mining financials, Anglos closed down R3.75 at R82. However, Gencor held steady at R93.

Australian equities boomerang

By Hilary de Boerr

TAKEOVER activity and improved liquidity sent the Australian stock market soaring last week, giving it its best weekly performance this year.

The market's 4 per cent rise – achieved in just four days' trading as last Tuesday was a national holiday – built on the previous two week's smaller gains and helped reverse an awful start to the year. Australia has jumped by 7 per cent over the past three weeks but since the year began is up only 0.55 per cent in local currency terms, according to the FT-Actuaries World Indices.

The week in Australia began with a hostile raid on Goodman Fielder Wattie by RHM of the UK, and both turnover and share prices surged. Wall Street's strength proved the motor for further gains later in the week, added by other ongoing corporate activity in such stocks as ANI – facing a bid from Consolidated Press – and Renison Goldfields.

Improved liquidity was behind the sharp gain in the other best performing world bourse last week. Mexico jumped by 4.1 per cent as optimism over the country's attack on its debt attracted money back into equities, helped by the Government's negotiations with Washington and leading banks last week.

Leading world markets were meanwhile mixed – although the UK, US and Japan all ended higher – and the world as a whole rose by 1.2 per cent.

The UK was the strongest of the top three, rising by 2.5 per cent as a better-than-expected trade deficit figure for March sent the market to a post-crash high at one stage. Bid and merger speculation and activity was further fuel for gains.

News of the planned resignation of Prime Minister Noboru Takeshita in Japan unleashed demand for equities there, sending that market up by about 2 per cent, with three consecutive all-time highs reached on the Nikkei average. But interest rate jitters and the approach of the Golden Week – which will see the market closed for three days this week – kept a rein on gains.

The US market ended just 0.01 per cent higher after losses early in the week were erased by later gains, with the Dow Jones Industrial Average climbing to a post-crash record on Thursday.

In Europe, holiday trading was responsible for a lethargic tone, with West Germany falling by 0.3 per cent and France by 0.7 per cent as interest waned before the long weekend. Milan lost 1.2 per cent, with activity reduced by last Tuesday's holiday there.

Profit-taking knocked Norway, which fell by about 3 per cent but continued to cling to its position as best performing market of the year with a rise of 39.6 per cent.

Austria is waiting impatiently in the wings, however, having renewed its rise after a week's respite. Last week it gained 2.4 per cent to take its increase for the year to 36 per cent.

MARKETS IN PERSPECTIVE

	% change in local currency †				% change in sterling †
	1 Week	4 Weeks	1 Year	Start of 1989	Start of 1989
Austria	+2.44	+10.48	+51.09	+38.21	+37.80
Belgium	-0.41	+2.29	+18.47	+4.56	+5.91
Denmark	+1.71	+5.70	+70.39	+22.61	+23.25
Finland	+1.13	+2.08	+27.43	+19.36	+26.70
France	-0.68	+3.67	+50.92	+9.78	+12.08
West Germany	-0.31	+3.79	+27.11	+4.28	+5.40
Ireland	+2.70	+5.98	+37.03	+20.66	+21.98
Italy	-1.20	-0.51	+18.31	+1.17	+2.84
Netherlands	+0.08	+3.43	+25.80	+14.14	+15.49
Norway	-2.99	+5.68	+60.67	+39.64	+43.92
Spain	+0.09	+3.89	+7.30	+6.61	+11.00
Sweden	+2.64	+0.01	+41.12	+14.70	+17.90
Switzerland	+1.02	+2.78	+13.91	+7.75	+3.64
UK	+2.53	+1.36	+17.39	+17.30	+17.30
EUROPE	+1.09	+2.26	+22.92	+11.96	+12.69
Australia	+4.05	+3.32	+5.80	+0.55	+0.02
Hong Kong	+0.02	+3.49	+26.78	+17.11	+25.90
Japan	+1.98	+0.05	+15.47	+5.07	+5.88
Malaysia	+0.30	+7.23	+41.61	+23.34	+32.80
New Zealand	+3.32	+3.07	-0.73	+5.20	+12.22
Singapore	+1.56	+4.86	+33.85	+23.11	+31.42
Canada	+0.03	+1.17	+6.86	+8.27	+16.65
USA	+0.01	+4.92	+18.43	+11.30	+19.21
Mexico	+4.10	+10.64	+48.48	+19.15	+20.21
South Africa	+1.06	+1.75	+62.95	+31.25	+30.05
WORLD INDEX	+1.18	+2.33	+17.88	+8.57	+11.66

† Based on April 28th 1989

ASIA PACIFIC

Nikkei scores record high as Golden Week begins

Tokyo

THE START of a five-day break for the Golden Week holidays did little to dampen investor enthusiasm and shares scored their fifth consecutive high, aided by a flood of buying by index-linked funds, *writes Michiyo Nakamoto in Tokyo.*

The Nikkei average climbed up through the day to finish 161.82 points higher at a record 33,954.99. The index reached a day's high of 33,977.74 and a low of 33,831.12. Advancing stocks led declining ones by 583 to 318, with 181 issues unchanged.

Turnover rose to 1.19bn shares from 921m on Monday. The Topix index of all listed shares gained 14.23 to 2,517.49 but *in London the ISE/Nikkei 50 index* fell 3.88 to 1,992.57.

Buying from index-linked investment trust funds was the main support for the market yesterday, according to Mr Hiroshi Taguchi, of Nomura Securities. While an estimated Y30bn from index-linked investment trust funds poured into the market at the end of April, an additional Y50bn to Y60bn was expected in the two months from May to June.

The large number of funds also helped support the belief that the market was in for a rally after the holidays. Mr Taguchi said the encouraging factor about index-linked investment trust funds was that, unlike other funds, they have to buy stocks as soon as they are launched.

The market mood has been improving amid signs of a brighter external environment. Negative factors expected in the near future, such as higher oil prices, a weaker yen and a rise in the official discount rate, were said to be more or less taken into account already. Furthermore, institutional investors were thought likely to step up their activity before the summer elections to the House of Councillors.

Meanwhile, profit-taking had taken place in mid-April, and in the words of one analyst "there were few issues left to take profits in." Share prices thus rose on little selling.

Interest was still concentrated in large-capital steels and shipbuildings. Sumitomo Metal, which topped the most actives list with 96.8m shares, rose Y15 to Y940. Sumitomo has been popular for its involvement in the Osaka waterfront redevelopment project. Its earnings per share are also the highest of the five main steel companies.

Kawasaki Steel, second in volume terms with 63.2m shares, added Y20 to Y1,080. NKK was third with 29.1m *shares and posted a modest* gain of Y2 to Y968. Steels were expected to benefit from a rush of money into the market, but they were also bought because they are still below their previous highs, according to Mr Taguchi. Kawasaki Steel, for example, is well under its high of Y1,140.

Trading companies attracted interest on expectations that US pressure on Japan to import more products would boost their business. Mitsui & Co advanced Y60 before closing up Y20 at Y1,200. Marubeni firmed Y21 to Y1,010.

In Osaka, large capital steels and laggards were selected, pushing the OSE average up a substantial 220.70 to 32,942.25. Volume picked up to 100m shares from 85m on Monday.

Roundup

PROPERTY stocks were snapped up in both Hong Kong and Singapore yesterday and both markets put in strong performances. But neighbouring Australia was hit by inflation blues and moved little.

AUSTRALIA was caught in an inflation stranglehold, as investors stayed on the sidelines before tomorrow's release of the domestic consumer price index for March.

Reluctance to trade left volumes at a paltry 54m shares worth A$120m, about half the level of recent sessions.

ANI, the takeover target of Consolidated Press, fell below the A$1.40 bid price, losing 5 cents to A$1.35 on turnover of about 800,000 shares.

Goodman Fielder Wattie – facing a takeover by RHM of Britain – climbed 4 cents to A$2.52, while Bond Corp managed a 1 cent rise to A$1.22 in spite of having its credit rating downgraded.

The All Ordinaries index was almost unchanged, edging up 1.4 to 1,492.6.

SINGAPORE returned in style from a long weekend, rising to a second consecutive post-crash high in improved turnover. Property stocks led the rally.

The Straits Times industrial index rose 6.54 to 1,265.95 and volume climbed to 101m shares from 84m on Friday.

Singapore Land climbed 40 cents to S$11.60. UIC was boosted by a block trade of 7m shares rising to S$2.44 – up 7 cents – on total turnover of about 10m shares.

HONG KONG rose by 1 per cent as afternoon bargain hunting took blue chips higher. The Hang Seng index rose 32.50 to 3,156.37, having fallen by 10 points in early trading.

Hongkong Land captured most buying interest, rising 20 cents to HK$11.80 in the day's most active trading, inspired by the group's HK$2 special bonus and a 25 cent final dividend to be paid on May 12. Jardine Strategic, its holding company, found 30 cents to HK$13.50.

TAIWAN saw heavy buying, which pushed the weighted index up 257.9 to 8,357.96, its highest level since October 1.

EUROPE

Amsterdam makes a 2 per cent comeback

THE DUTCH market recouped part of its losses as the threat of a political crisis continued to hang over the market. Other bourses were generally quiet, and Madrid was closed for a holiday, *writes Our Markets Staff.*

AMSTERDAM rebounded from its heavy setback on Monday, rising by 2 per cent as foreigners moved in to pick up shares at lower levels and the market took the view that the coalition Government was unlikely to fall.

The CBS tendency index rose 3.6 points to 181.2 after plummeting by 3.6 per cent on Monday as an argument within the coalition over the financing of an anti-pollution plan threatened a political crisis. The question was expected to be resolved one way or the other yesterday evening.

In spite of its recovery, the market was very volatile. "It could be 5 per cent up tomorrow or 5 per cent down," said one Dutch analyst. Investors, clearly worried on Monday about the possible fall of the centre-right Government, yesterday appeared to believe compromise would be reached.

Turnover remained active at Fl 796m, though slightly down from Monday.

Chemical stock DSM produced a pleasant surprise with much stronger than expected first quarter figures and climbed Fl 5.60 to Fl 128.20.

Unilever and Royal Dutch, badly hit on Monday, recovered Fl 2.50 to Fl 134.50 and Fl 1.90 to Fl 136.70 respectively. Office equipment maker Oce van der Grinten, which tumbled Fl 16 on Monday, rebounded Fl 7.50 to Fl 307.50, while transport stock Nedlloyd recouped most of Monday's loss with a Fl 15 rise to Fl 412.

Publishers were also strong, with VNU up Fl 4 at Fl 103 and Elsevier rising Fl 2.40 to Fl 70.40.

FRANKFURT lost ground in quiet trading, with foreigners largely absent and most interest focused on special situations and second-line stocks. The FAZ index fell 4.06 to 571.93 and the DAX lost 8.36 to 1,362.54 *in thin volume of* DM2.37bn, subdued by the holidays on Monday and Thursday.

Investors were concerned that the recent rise in interest rates and the plan to end the withholding tax had done little to strengthen the D-Mark against the dollar.

Bayernverein Bank was the most actively traded stock, falling DM20 to DM381 after going ex a DM13 dividend.

Retailers attracted attention, with Karstadt breaking through technical resistance at DM480 and rising DM8.50 to DM488. Hussel, a rumoured takeover target, gained DM7 to DM560.

PARIS continued to snooze, as holiday trading left turnover low and share prices little changed.

Like most other European markets, the bourse was closed on Monday and shuts again on Thursday for Ascension Day so many fund managers have taken the whole week off. Those left in the market are thus reluctant to take big positions.

Yesterday, the CAC 40 index fell 0.68 to 1,679.85 and the OMF 50 index edged up 0.41 to 479.15.

CMB Packaging saw one of the larger gains, rising FFr22, or 3.3 per cent, to FFr692. The stock, formerly called Carnaud, is also trading on Seaq International in London, opening up opportunities for arbitrage, said one analyst.

Valeo climbed FFr6 to *FFr739 amid news of a small* UK acquisition and rumours of further purchases, while Bouygues fell FFr5 to FFr600 after dampening speculation about stake-building in Dragados of Spain.

Among blue chips, Peugeot lost FFr2 to FFr1,699 – but had been off FFr8 – on continued profit-taking after recent results.

ZURICH was knocked by interest rate fears as the big four commercial banks raised their short-term interest rates, and the Crédit Suisse index fell 4.1 to 574. Volumes were restricted by the two national holidays this week.

Industrial holding company Holderbank rose SFr10 to SFr5,310 on news of higher annual profits and its plans to raise its dividend.

MILAN weakened in very quiet turnover estimated at about L100bn worth of stock. The Comit index lost 3.39 to 609.61, weighed down by news that a small local stockbroker had declared insolvency.

Fiat group company Gilardini rose L999 to L17,499 after announcing a bonus and rights issue late last week.

BRUSSELS was dominated by active position-squaring in preparation for holidays later this week. The cash market index rose 23.74 to a year's high of 5,949.61.

Electrafina fell BFr170 to BFr3,600 and Cometra plunged BFr720 to BFr3,780 following last week's merger news.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	MONDAY MAY 1 1989						FRIDAY APRIL 28 1989			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Day's change % local currency	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1989 High	1989 Low	Year ago (approx)
Australia (89)	134.61	−0.4	118.77	112.91	−0.3	4.95	135.19	118.87	113.20	157.12	128.28	122.08
Austria (19)	123.44	+0.0	108.91	120.72	+0.0	2.13	123.44	108.35	120.72	124.16	92.84	91.53
Belgium (63)	133.29	−0.2	117.61	130.12	+0.0	4.18	133.58	117.26	130.12	137.10	128.52	126.34
Canada (127)	136.35	−0.3	120.30	117.13	−0.3	3.33	136.73	120.02	117.47	137.27	124.67	123.11
Denmark (38)	179.98	−0.2	158.80	180.00	+0.4	1.84	180.26	158.24	179.22	180.38	165.35	119.41
Finland (26)	155.00	+0.1	136.76	136.46	+0.0	1.53	154.82	135.90	136.46	159.16	125.81	127.18
France (130)	119.69	−0.6	105.60	120.00	+0.0	3.04	120.38	105.67	120.00	122.79	112.57	89.05
West Germany (100)	86.02	−0.6	75.90	84.59	+0.0	2.31	86.55	75.97	84.59	90.40	81.77	76.47
Hong Kong (49)	132.02	+0.5	116.48	131.78	+0.4	4.02	131.42	115.38	131.25	133.77	111.80	102.77
Ireland (17)	148.68	−0.9	131.18	148.33	−0.4	3.39	150.08	131.74	148.92	151.36	125.00	122.61
Italy (98)	81.31	−0.5	71.74	84.00	+0.0	2.50	81.74	71.75	84.00	86.88	78.16	75.29
Japan (455)	188.71	−0.3	166.50	159.90	+0.6	0.47	189.31	166.18	158.98	200.11	180.30	176.27
Malaysia (36)	177.64	−0.2	156.73	184.34	−0.2	2.60	177.93	156.19	184.65	178.18	143.35	131.60
Mexico (13)	182.73	+0.6	161.22	485.58	+0.7	1.04	181.64	159.44	482.28	182.73	153.32	131.20
Netherland (42)	*117.52*	*−3.0*	*103.69*	*114.46*	*−2.4*	*4.50*	*121.20*	*106.39*	*117.27*	*122.22*	*110.63*	*107.65*
New Zealand (24)	70.83	+0.0	62.50	61.01	−0.1	6.07	70.83	62.17	61.08	76.02	66.84	77.90
Norway (26)	185.81	−0.5	163.94	172.87	+0.0	1.55	186.68	163.87	172.87	198.39	139.92	125.22
Singapore (26)	153.18	−0.2	135.15	137.97	+0.0	1.99	153.50	134.74	137.97	155.98	124.57	111.67
South Africa (60)	141.87	+0.0	125.18	128.94	+0.0	3.93	141.87	124.54	128.94	144.86	115.35	123.75
Spain (42)	152.87	−0.6	134.88	135.79	+0.0	3.58	153.79	134.99	135.79	156.17	143.14	151.72
Sweden (35)	158.37	−0.5	139.73	150.39	+0.0	2.29	159.17	139.72	150.39	162.00	138.45	123.31
Switzerland (57)	74.83	−1.0	66.02	78.37	+0.0	2.36	75.56	66.32	78.37	79.76	74.05	79.26
United Kingdom (315)	147.63	−0.5	130.25	130.25	+0.0	4.35	148.38	130.25	130.25	153.33	134.53	140.12
USA (560)	125.82	−0.1	111.01	125.82	−0.1	3.53	125.97	110.58	125.97	125.97	112.13	106.46
Europe (1008)	119.78	−0.7	105.69	112.37	−0.1	3.56	120.62	105.88	112.53	121.70	114.02	109.19
Nordic (125)	155.09	−0.3	136.84	153.03	+0.1	1.97	155.57	136.56	152.80	155.61	137.95	113.56
Pacific Basin (679)	184.13	−0.3	162.46	156.57	+0.5	0.69	184.69	162.12	155.72	194.72	176.37	171.25
Euro−Pacific (1687)	158.41	−0.4	139.76	138.95	+0.3	1.58	159.09	139.64	138.48	164.22	152.83	146.43
North America (687)	126.36	−0.1	111.48	125.29	−0.1	3.52	126.52	111.06	125.46	126.52	112.79	107.35
Europe Ex. UK (693)	102.47	−0.8	90.41	101.31	−0.3	2.92	103.35	90.72	101.58	105.29	98.84	90.06
Pacific Ex. Japan (224)	129.19	−0.1	113.99	114.77	+0.0	4.41	129.29	113.49	114.78	137.65	123.48	110.68
World Ex. US (1887)	157.49	−0.4	138.95	138.26	+0.3	1.65	158.15	138.82	137.82	162.77	152.04	145.39
World Ex. UK (2132)	144.86	−0.3	127.81	134.40	+0.2	2.03	145.30	127.54	134.13	148.04	138.06	129.43
World Ex. So. Af. (2387)	145.11	−0.3	128.03	134.04	+0.2	2.23	145.59	127.79	133.80	146.65	138.82	130.41
World Ex. Japan (1992)	124.24	−0.3	109.62	120.60	−0.1	3.58	124.65	109.42	120.76	124.65	114.51	108.33
The World Index (2447)	145.09	−0.3	128.01	133.99	+0.2	2.24	145.56	127.77	133.75	146.51	138.83	130.37

Latest prices were unavailable for this edition.
Markets open May 1: Australia, Canada, Denmark, Hong Kong, Ireland, Japan, Netherlands, New Zealand and USA.
Amendments to indices for April 28 applied to: UK,the related regional indices and The World Index.